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Our monetary affairs
considered with...

Edinburgh

1856

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Our monetary affairs considered with reference
to the operation of the currency act of 1844.
Edinburgh, Grieg, 1856.

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OUR MONETARY AFFAIRS,

*with the kindest regards
of the Author*

CONSIDERED WITH REFERENCE TO THE OPERATION

OF THE

CURRENCY ACT OF 1844

BY

JOHN F. MACFARLAN,

HONORARY CHAIRMAN OF THE EDINBURGH CHAMBER OF COMMERCE
AND MANUFACTURES.

EDINBURGH:

JOHN GREIG & SON, MELBOURNE PLACE.

MDCCCLVI.

PART I.

REMARKS ON MR COMBE'S PAMPHLET ON THE CURRENCY
QUESTION.

PART II.

SERIES OF PAPERS ON MONETARY AFFAIRS, WHICH APPEAR-
ED IN "THE WITNESS" NEWSPAPER IN THE MONTHS OF
DECEMBER, JANUARY, AND FEBRUARY LAST.

EDINBURGH : PRINTED BY MILLER & FAIRLY.

PREFACE.

THE papers forming our Part II. were written in consequence of an attack, by a writer in the *Daily Scotsman*, on the Edinburgh Chamber of Commerce, because of its having presented a petition to Government, praying for the suspension, with a view to their repeal, of the money laws of 1844, which the Chamber conceived were pressing heavily on the country, and threatening disaster to its commercial interests.

The subject had been introduced at a meeting held on the 30th October last, when the discussion was purposely confined to the immediate operation of the restrictive clauses of the Act 1844. No reference was made to the principles on which that Act was founded, nor to any of the laws which govern commercial transactions; for the subject was not new to the Chamber, and such a discussion at that time appeared not only unnecessary, but entirely out of place. Danger seemed imminent, and discussion on first principles as unsuitable as it would have been in those employed in extinguishing a fire to get into discussion on the best principles for constructing fire-engines, instead of vigorously employing such means as were within their reach to extinguish the fire. The memorial itself, though stated in somewhat strong terms, did not contain, nor profess to contain, the grounds on which the opinion of the Chamber rested, nor to give any elucidation of that opinion, but simply to set before the Government some reasons why the Chamber conceived that the operation of the Act should be suspended. In all this the Chamber did nothing but what every public body was entitled to do, and which, with the views it held, appeared a duty incumbent on it. The Chamber was well aware that in regard to the operation of this Act there existed differences of opinion,—for example, that the opinions of Mr Jones Loyd (now Lord Overstone) were in direct opposition to those of Mr Thomas Tooke. To questions addressed to them by the Parliamentary Committee of the Commons on the commercial distress of 1847, they answered thus:—

Mr Jones Loyd.

Q. 5278. "Do you see in the circumstances of the year 1847, any necessity for a relaxation by law of the Act of 1844?"—"No. I think it would be very inexpedient to introduce any relaxing power by law."

Mr Tooke.

Q. 5422. "Then, do you think, upon the whole, that the best remedy for protecting the public against crises like that which it has experienced in the past year would be the entire repeal of the Act of 1844?"—"Most undoubtedly."

The one distinguished individual would not admit even of a *relaxing power*; the other still more distinguished individual desired the *entire repeal* of the law. Those, then, who, like the writer in the *Scotsman*, hold by the former, cannot be expected to approve of the conduct of those who, substantially concurring with the latter, seek by all constitutional means to obtain the repeal of the law.

It was not therefore at all wonderful that exception should be taken to the petition presented by the Chamber, by those who differ so widely from them. Fair discussion never injures any good cause. But the first articles that appeared on the subject seemed so studiously offensive, as to lead to a resolution not to enter into controversy with the writer (then unknown), but, without reference to those articles, to publish, a little more fully than had been done in the petition, the views entertained by the Chamber on banks and banking, that the public might be enabled to judge for themselves, and there to leave the matter.

This was accordingly done on the 1st December last in the columns of the *Witness*, special reference being made to a series of resolutions unanimously adopted, after full discussion, in October 1847; and thereafter such remarks were made in the columns of the same paper as appeared to be called for by the circumstances of the times.

The Chamber having done me the honour of requesting a separate publication of these papers, in complying with their request I would have pursued the same course in regard to those articles had the author maintained his incognito; but as these, published in the form of a pamphlet, bear the honoured name of Mr George Combe, a different course seems expedient. His name has given to the pamphlet an adventitious importance; and the laudations of the *Times*, and other supporters of the theories of Lord Overstone, who gladly hailed him in their time of need as a most valuable auxiliary, have spread the fame of the accomplished author far and wide. Some introductory remarks have therefore become unavoidable; and in these it is proposed to advert, first, to the observations made by the author upon the Chamber and its Petition; next, to the views presented of "The Crisis of 1847;" and, lastly, to the Design and Effect of the Act 1844.

JULY 1856.

MONETARY AFFAIRS.

PART I.

REMARKS ON MR COMBE'S PAMPHLET ON THE CURRENCY QUESTION.

MR COMBE'S REMARKS ON THE CHAMBER OF COMMERCE.

IN entering upon the consideration of the subjects treated of in Mr Combe's pamphlet, one cannot admire the tone assumed, the temper displayed, or the words employed, in reference to the Edinburgh Chamber of Commerce,—a public body which for well nigh a century has been conspicuous for its zeal in the promotion of everything tending to improve the commerce of the country, and which has been distinguished not more by the general soundness of its views than by the caution with which it has adopted them, in consequence of which it has never been under the necessity of changing its course, retracing its steps, or even of modifying the opinions it has adopted.

It might have been expected that any one commenting upon the conduct of such a body would at least have taken care thoroughly to understand what the Chamber meant, ere he ventured to criticise its productions. Had the author of the pamphlet done so, these criticisms might have been spared, and the subject discussed with the calmness and dignity its importance demands.

If the facts adduced by the Chamber had been few and inconclusive, that could have been shown; and if its arguments had been unsound, that, too, might have been made manifest: but surely it was unnecessary to speak of that body in the language the author was pleased to employ. It was, at least, uncourteous, and, in a good cause, is rarely if ever employed. To speak of the Chamber as ignorant,—“not knowing what or wherefore they are asking,” “incapable of comprehending,” &c. &c.,—is perhaps pardonable in an accomplished philosopher, though without offence it may be said that their knowledge is small indeed which can receive any addition from his labours in this matter. To speak of the Chamber as saying, “Do not give the merchants gold for their notes,” is to pervert its words, and give them a meaning they never were in-

tended to bear. To speak of the members as being of "that portion of the community which was in debt, and sought to screen their own errors, and save their own credit, by raising the cry that the obligation on the Bank of England to *pay gold for its notes* was the cause of all the dire events of 1847," is to cast discredit on honourable men, who stand in need neither of sympathy nor of aid, and who, holding the very doctrine to which they are represented as opposed, uniformly maintain that every note issued by the Bank should be convertible into gold or silver on demand, at the will of the holder. But to speak of them as swindlers,—“do they mean, then, that we should swindle the foreigners, repudiate, and not pay our debts?”—is something worse than insulting. Yet such is the manner in which the author has been pleased to speak of that body. It is indeed the staple of the pamphlet. Separate from it all the harsh judgments, unauthorized conclusions, and perverted meanings, and but little will remain; while the whole is wound up with a sneer worthy of such remarks; for, representing the opponents of the Bank Restriction Act as requiring a “currency, in short, which shall enable them to disregard the laws appointed by Providence to regulate human affairs, and still preserve to them all the prosperity which Divine wisdom attaches to the observance of these laws,” he then says, “When the Chamber of Commerce and Mr J. F. Macfarlan shall enable Parliament to furnish such a currency, we shall hail them as beings greater than men.” Truly, neither the one nor the other ever cherished such visionary ideas, or thought of interfering with the ordinary course of events. It was reserved for the author of the Act 1844 to make the attempt, by substituting for the caution, the wisdom, and experience of man, the blind insensibility of what Lord Ashburton well called a “rigid Parliamentary machine,” which, having no consciousness of passing events, no power of reflection, and no sympathy with human affairs, might move on its way, regardless of results. By this instrumentality he expected to prevent the evils he deplored, and secure the blessings which he wished his country to enjoy. Had the attempt succeeded, he might indeed have been entitled to be “hailed as a being greater than man.” But the signal failure of the Act in the hour of trial made it sufficiently manifest that it is a safer, if not a wiser course, not to interfere with the “laws appointed by Divine Providence for the regulation of human transactions,” by substituting the inventions of man, but to allow these an unrestricted operation, and, when difficulties occur, to have recourse to the judgment of intelligent and experienced man, rather than to trust to the actings of any machine, however well constructed it may have been.

If the manner in which the learned author has dealt with the Chamber be thus objectionable, that in which he has dealt with their petition is still more so. Two passages have been honoured with special notice. “They inform,” says Mr Combe, “his Lordship (Lord Palmerston), that they do not object to the principle of stipulating, on the part of the

public, for security from those entrusted with supplying the paper currency of the realm; but they do most emphatically object to the plan of restricting that security to the possession of gold alone.”

One would have thought that the meaning of this is plain; words, indeed, can hardly be found to make it more so. The Chamber was addressing the Government,—a Government which it believed to be not only a patriotic, but also an intelligent one, especially on this point, though subsequent events have thrown a shade of doubt on this, the discussions on Mr Muntz and Lord Eglinton's motions having given some reason for thinking that they neither understand this, nor one another; yet the Chamber, believing that they did, wished them to know that it did not object to their requiring security for an enlargement of the circulation, should they see meet to authorize it, but that they objected to gold as the alone ground of such enlargement; and the Government seems thoroughly to have understood the Chamber; for very soon thereafter, they did authorize an enlargement to the extent of £475,000, and they did so on securities, precisely as the Chamber indicated in its petition. Had the authority gone to a greater extent, the whole desire of the Chamber would have been gratified, and the country relieved from the heavy burden under which it yet labours.

The learned author, however, endeavours to make out that the Chamber was desirous of obtaining a currency which might be arbitrarily increased at the pleasure of the issuer, until it became of little value, from being issued in excess on a deposit of securities *ALONE*; and this he attempts to make out by asking, first, whether “they desire the *quantity* of the paper currency to be increased *ad libitum* by those entrusted with supplying it, on the *sole condition* that they shall give to the public, securities equal to its amount?” next, that they object to banks “possessing gold in *proportion* to their issue;” then by saying, that “they object to the issuers of the notes being *bound to pay in gold*,” and, as he recedes farther from the words he is commenting upon, by boldly affirming that “the Chamber *excludes gold*.”

To all this, and to say nothing of the impossibility of bankers being able either to get into circulation, or to keep in it, more bank notes than the necessities of the country require, it may be enough to reply, that the Chamber holds, and has always held, as decidedly as the learned author can do, that the issuers of *bank notes*, which are merely receipts for value received, shall always be bound to *pay them in gold or silver*, on demand, at the pleasure of the holder,—an obligation which implies the *possession* of gold or silver in *proportion* to the amount of paper currency which they have issued,—a proportion to be estimated according to the circumstances of the country and the liabilities of the banker, and increased or diminished according to the probable demands for gold. Certainly, no *fair* interpretation of the words the learned author has quoted can ever make out the meaning he has been pleased to put upon them.

In regard to the nature of securities, the Chamber had not before

thought of them in any other light than has been usually entertained by bankers on the subject,—that they must be of that class which are readily convertible. The Act of 1844 has certainly given them more practical experience of what these are than ever they had before: the experience of 1847 has taught them a lesson they will not soon forget. But when the learned author speaks of “articles of value *pledged* as securities,” he suggests the idea of a pawnbroking establishment, in which goods are lodged and advances made upon them; thus giving a totally different view of the nature of securities, and as such securities may not be readily convertible, the idea of advancing notes upon and *payable* in them is not unnatural. The idea of notes payable in tea, in broad cloth, &c. &c., is certainly new. Such notes, however, would not go far in Scotland, accustomed to a convertible currency, which has justly obtained the universal confidence of the country; nor yet in England, where Bank of England notes enjoy an equally well-founded confidence.

Still assuming, however unjustly, that the Chamber desires such a currency, he proceeds to show, by a reference to America, its mischievous tendency; and although there is nothing new in his statement, his residence in that country has enabled him to present the results in a somewhat graphic form. The whole account, however, exhibits merely a practical proof that “Wisdom excelleth folly as far as light excelleth darkness,” of which the most instructive illustration ever given is to be found in the parable of the Ten Virgins: “Five of them were wise and five were foolish. They that were foolish took their lamps, and took no oil with them. They that were wise took oil in their vessels with their lamps.” Many of the banks had done the foolish thing. But the banks of Massachusetts, Connecticut, and New York, had done the wise thing; “and while the bank notes of the three States just mentioned, which could be exchanged for gold, continued to be received as equal in value to gold,” the notes of the others fell to a large discount; the results, however deplorable, being but the natural fruit of the folly which preceded them.

The author has not, however, stated half the case. This would scarcely have answered the object he had in view, of creating an impression that in this country the same was not unlikely to occur; and that therefore any law, however unjust, inflexible, and oppressive, must necessarily be better than such a state of things. The constitution of the States, as well as the manners and habits of the people, however, are so entirely different from those of this country, that no conclusion of the kind can justly be drawn. “Almost every coin under heaven,” says Mr Fullarton, “is a legal tender there, at a certain rate fixed by tariff, and not very long ago the quantity of foreign gold in circulation there was supposed to be as nine to one in proportion to the circulation of their own eagles. The effect was, that the bankers, when required to cash their notes, paid them in the coin which for the time was cheapest; and parties requiring a

supply of Spanish dollars, the very money in which they keep their accounts, for transmission to India or China, could not procure them from the banks, but had to buy them in the market at a premium seldom under 1 or 2 per cent., and which has been known to rise even to 7½ per cent. But, in fact, the banks of that country were in a manner virtually protected from demands for coin by the peculiar habits and ideas of the people.”* The difference will be made more plain by some short extracts taken from the Report of Delegates from the Banks of the City of New York to the General Bank Convention, 1837. “By a strange anomaly, whilst the courts of law can consider nothing but gold or silver as the legal payment of debts, every individual, without exception, who is not compelled by process of law, and who does not resort to the tribunals for redress, pays all his debts with, and receives nothing in payment but an irredeemable depreciated currency. A general usage openly at war with law usurps its place; and the few cases where the laws are enforced are only exceptions to the universal practice. Instead of the permanent and uniform standard of value provided by the Constitution, and by which all contracts are intended to be regulated, we have at once fifty different and fluctuating standards, agreeing only in one respect,—that of impairing the sanctity of contracts. Even restrictive and general laws are openly and daily violated with impunity by everybody, in circulating notes forbidden by law.”

Well, then, might Mr Hawes say, in his unanswered and unanswerable speech on the Resolutions of Sir R. Peel in 1844,—“It is impossible to establish any analogy between the banking system of America and that of this country. Not only were notes issued there for very small amounts, but in some cases the *State Legislatures* had interfered, and suspended cash payments. The *jobbing and speculation of Banks* was shared and fostered by the *jobbing and speculation of State Legislatures*. And this was so far sanctioned by public opinion, that it was a general practice to resist the conversion of paper, and to expose to public odium the man who attempted it.” . . . “The circumstances were peculiar, and were not such as have existed, or are likely to exist, in this country. Both the Banks and the public were adverse to payment in specie. They were mad with speculation. They overlooked alike morality and honesty; and actually, by a common consent, for purely trading and speculative ends, suspended cash payments. There was a widely circulated and small paper currency taking the place of specie, and a gambling connection between the State Legislatures and the Banks.”†

Such is the view presented by the Honourable Member, of the state of matters in America at that time,—a view which fully warrants the conclusion to which he came, that “it is impossible to establish any analogy between the banking system of the two countries.” “At a subsequent

* Fullarton, p. 178.

† Mr Hawes' Speech (Parliamentary Debates), 13th June 1844.

period," he adds, "the small paper currency was abolished; the Banks resumed payment in specie; and, under a system improved simply by requiring and enforcing convertibility by law, the currency was restored." But although much may have been done to improve their system, and, by the aid of Californian gold, to increase their store,* America is not the country to which we should look for guidance. There every man seems to do that which is right in his own eyes. The union of the States is very different from the union of the different counties of England; but even England is not the country to which we would turn for instruction or example in regard to this important matter. Scotland—our own Scotland—stands signally out as the country in which banking "has been by long experience matured into a system better suited to the wants and trade of the country, safer in itself, more economical and convenient, more implicitly relied on by an entire people, than any system

* The following, taken from the American Almanac for the year 1856, exhibits the number, capital, &c., of the Banks in the different States, as contained in returns brought up to 1st January 1855, and made in compliance with a resolution of the House of Representatives, adopted July 10, 1832. The amounts are stated in dollars and rendered in pounds sterling, and are given without comment:—

*Banks in the United States, 1st January 1855.
Number—1307.*

ASSETS.		dols.
<i>Investments supposed to yield Income.</i>		
Loans and Discounts, ...	576,144,858	
Stocks, ...	42,727,082	
Real Estate, ...	24,071,801	
Other Investments, ...	8,734,540	
	661,678,281	= £137,849,642
<i>Immediate Means.</i>		
Sums due by other Banks, ...	55,738,735	
Notes of other Banks, ...	23,428,695	
Specie Funds, ...	21,936,188	
Specie, ...	53,944,546	
	155,048,164	= 32,301,701
Total Assets, ...		£170,151,343
LIABILITIES.		
Capital, ...	332,179,258	= £69,204,012
Circulation, ...	186,952,223	
Deposits, ...	190,379,342	
Due to other Banks, ...	45,156,697	
Other Liabilities, ...	15,577,926	
	438,066,188	= 91,263,789
Total Liabilities to Shareholders and the Public, ...		£160,467,801

ever devised by any State for the service of its subjects." Such it was ere Sir Robert Peel, in his anxiety for change, *thought* he would amend it; and, notwithstanding all he has done, has tended only to impair its usefulness and trammel its operations, the banking system of Scotland still stands out as the most perfect that the world has seen.

The learned author next adverts to the facts on which the Chamber founded its petition. "They inform Lord Palmerston that" "Your memorialists strenuously opposed the passing of the Act 1844, as an unsafe and an unwise interference with the business of banking, and directly calculated, in the event of a scarcity of food, war, or any other emergency requiring an export of gold, to give rise to commercial embarrassments and arousing panics; and when in 1847 these actually began to appear, they denounced the Act as the cause, and the Government was at length constrained to suspend its operation,—thus substantially acknowledging the correctness of the views of your memorialists."

These words also seem plain enough. They intimate that the Chamber regarded the Act 1844 as an unsafe and unwise interference with the business of banking; and it so regards it still. It regards the Act as unsound in principle, based on false assumptions, and entirely uncalled for. Farther, being well aware that war, or famine, or other great emergency, would make large drafts upon the gold in the Bank, it believed, nay, was sure, that under the operation of this Act, in withdrawing bank notes from circulation as the gold went out of the country, such a contraction in their amount would take place as to reduce the banking reserve—the "bankers' means of working their business," as Lord Overstone calls it—to such an extent, that they would no longer be able to give the accommodation needful for carrying on the business of the country; whence commercial embarrassments could not fail to arise, and these might go to such an extent as to create "arousing panics," with all their fearful consequences.

Such embarrassments did occur more than once; but it was not till October 1847, when, in its judgment, these were clearly traceable to the Act, that the Chamber felt called upon to address the Government upon the subject; and on that occasion it did denounce the Act as the cause, and prayed for its suspension, with a view to its repeal. On the 13th of October the petition was presented. On the 25th the Government letter appeared, which in effect suspended the Act; and there seems no impropriety in saying, that the views of the Chamber were thus "substantially acknowledged to be correct." Their correctness still farther appeared from the happy results of its suspension. The country was at once, as if by a charm, delivered from its fearful position;—the cause being removed, the effect ceased.

In the passage quoted by the learned author, there is then nothing more than a simple statement of things as they actually occurred, and an expression of the opinion of the Chamber as to the Act itself. In this opinion it is no way singular. Similar views have been expressed

by many whose authority stands very high in the matter,—such as Mr Tooke, Mr Fullarton, Mr Wilson, and others. But though the Chamber had had none to support it, it felt so convinced of the soundness of its opinion, that it would have steadily maintained it. The opinion was of course open to criticism; but, as that of a public body, it was entitled to fair consideration. In what way, however, does the learned author deal with it?

First, by remarking that “it would be difficult to condense into the same space a greater collection of fallacies and mis-statements than this paragraph contains.” We have shown, we think satisfactorily, that there is no mis-statement; and as to the opinions, we are content to leave them to the judgment of the reader.

Next, by saying, “The Chamber commence by acknowledging that a scarcity of food, ‘war,’ or any other emergency, ‘may’ require an ‘export of gold;’” and this, he says, is “solid sense.” So it is; but the Chamber does more. It does not merely acknowledge that these “may” require such an export of gold, but that they must require it. It cannot be otherwise. Extraordinary emergencies cannot be provided for in the ordinary way of business. Food must be had, whatever the cost,—“Skin for skin; all that a man hath will he give for his life.” And the Chamber would throw no obstacle in the way of providing for a starving people. But this Act does so, by forcibly retaining the gold in the Issue Department, to secure, it is said, “the convertibility of the note.” This was well adverted to by Mr Gurney, who, having said, in his evidence before the Parliamentary Committee of 1847, that there were periods when it was not very judicious to stop the efflux of gold, was asked, “At what period?” and replied, “It is difficult to define periods; but I may say, that when this country was actually in want of food,—when large portions of our people were actually starving,—to say ‘gold shall not go out,’ which was the same thing as to say, ‘food shall not come in,’ was a very dubious measure.” And, being further asked by the late much lamented Lord George Bentinck,—“Amongst the many shrewd and wise remarks you have made, you have observed, that to say ‘gold shall not go out,’ in fact, meant ‘food shall not come in,’ supposing the harvest of 1847 had been such another harvest as the harvest of 1846, would the effect of the Bank Charter Act have been to have starved the people?” replied, “Without saying that it would have gone to that extreme case, I think it would clearly have had the effect of *decreasing the facility of the introduction of food.*” Mr Joshua Bates, a partner of the house of Barings, in answer to a similar question, “Then the tendency of the law was, under a scarcity, to starve the people?” replied, “That would have been the effect certainly.” It is enough, however, to hint at this.

The learned author then asserts “that the Chamber of Commerce objected (and they actually bowed of their wisdom in doing so) to the Bank of England being bound to pay gold to the merchants who owed this balance

and who held in their hands bank notes equal to its amount; but the Chamber omitted to tell us what was to be done. The foreigners declined to accept bank notes, but were willing to accept gold, in payment. The Chamber, in their wisdom, said, ‘No; do not give the merchants gold for these notes, with which to pay their foreign debts.’ What, then, was to be done? The Chamber acknowledge our liability to get into debt to foreign nations for value received, and they object to the Bank furnishing the merchants who hold bank notes with the only thing which the foreigners will receive in payment. Do they mean, then, that we should swindle the foreigners,—‘repudiate,’ and not pay, our debts?’ Surely it is unnecessary to take notice of language such as this, farther than by repeating that which has been already said, that the Chamber never at any period held the views, nor uttered the language, ascribed to them. But the learned author, having described the disastrous effects of the railway mania, and other speculations then afloat, goes on,—“The Chamber affirm that it was the obligation to pay gold imposed by the Bank Restriction Act, which was ‘the cause’ of this state of things, and of its consequences;” and adds, “Never was there a grosser perversion of facts.” Truly there never was a grosser perversion of facts; but the perversion is all on the side of the learned author; for the Chamber never made any such affirmation, nor ever used any language capable of being construed by ordinary ingenuity into anything resembling it.

Nor, in point of fact, does the Act impose any obligation on the Bank to pay gold to the “merchants who hold in their hands bank notes,” which did not exist before. The resumption of cash payments settled that; and payment in bank notes has ever since been found to be equal to payment in gold, the Bank of England having always held such a proportion of that commodity in stock as never to have disappointed an applicant. Had the foreigners, then, accepted of the notes, they had nothing to do but to take them to the Bank, and get them at once exchanged for the gold they represented. The only new obligation which the Act of 1844 imposed, was on the internal arrangements of the Bank itself, which, while it remained but one Bank to the public, answerable to the depositor with all its property, was, by an ingenious contrivance, split into two portions, the one called the Issue, the other the Banking Department; the Act at the same time imposing certain well-known restrictions, the result of which might be, that while the Issue Department groaned under a load of gold, the Banking Department might be in imminent danger of bankruptcy from the want of it. Thus, had the Bank of England, the learned author states, “not paid its notes in gold, our merchants who were indebted to foreigners, but who were still solvent, and *had balances in the Bank*, must have suspended payment of necessity.” But where, then, would the Bank have been? What of its solvency? If unable to pay the depositors the *balance at their credit* in gold, or in something equivalent to gold,—something that foreigners would accept,—what would have been the position of the Bank? The matter was

very nearly brought to an issue in 1847. "In reference to such a state of things, the following important evidence was given by the Governor and Deputy-Governor of the Bank of England:—

"You had only L.1,600,000 in the Banking Department for the payment of your liabilities?" "Yes."

"If anybody had called upon you for anything beyond that million and a-half, you must have stopped payment?" "Yes, we must."

"At that time, if there had been no separation between the two departments, and the Bank of England been conducted on its old principle, instead of being within one million and a-half of stopping, there would have been very nearly L.8,500,000 of treasure in your vaults?" "We would have had L.8,500,000 in our vaults."^{*}

It is impossible to put in a clearer light the evil effects of the separation, created by the Act with the professed view of securing the convertibility of the bank notes. Is, then, the solvency of the Bank itself of minor importance? or how can convertibility be maintained should insolvency occur? Well does Mr Anderson remark,[†] "It was not the law, but its abandonment, which had that saving effect, and that, had it been persevered in a few days, perhaps hours, would have exhibited the melancholy absurdity of the insolvency of the Bank of England with eight millions of gold in its coffers." The Act locked up the gold. The Chamber objected to its doing so; and in its struggle to obey the law, the Bank was nearly shipwrecked. But we pass on to our second point,—the views presented by the learned author, of the

CRISIS OF 1847.

The view presented by Mr Combe of the cause of the disasters of 1847 is exceedingly simple,—the export of gold, occasioned by the balances of trade being against the country; or, in other words, by unfavourable exchanges. "Now this demand [for gold] cannot arise unless England is *in debt* to the countries to which gold is sent." Debt to the foreigner is the only explanation of an export of gold which seems to have entered into the mind of the learned author; and in so far as that is concerned, the explanation may suffice. But that is not the only cause. Sometimes occurrences have taken place in particular quarters which make gold more in demand there than at other places or at other times; as, for instance, L.300,000 was exported to Hamburg in 1847, attracted by a high rate of interest. Whatever, indeed, tends to make it more valuable, or, in other words, to raise its price, will infallibly attract it; and parties will be found quite ready to take the opportunity of making profit by its export. Gold, in short, is just a commodity, and, like other commodities, subject to the

* Report of the Lords' Committee, p. 14. 1847-48.

† Review of the Currency Laws and Bank of England Charter. 1855.

law of supply and demand. At one time during the last war its price rose to L.5 10s.; and were any similar advance to take place on the Continent now, the stores of the Bank of England would soon be exhausted. A disturbed state of the Continent may influence the stock of gold in this country. At the present time large drafts have been made on account of the war happily now terminated. The Turkish and Sardinian loans have had their influence. These are all spoken of as debts to the foreigner. "England has purchased largely in foreign markets; she has a large army on foot and two large fleets afloat, supplied more or less by foreigners with things necessary for their use; she has subscribed to a Turkish loan of five millions, and to a Sardinian loan of one million; and from all these causes she is *in debt to foreigners*." As well might it be said that the man who travels on the Continent with ready money in his hands, purchasing what he may require by the way, is in debt to the persons from whom he makes his purchases, and that the man who lends money to another is his debtor. England engaged in war, or, rather, it is said, "drifted into war," and apparently without profiting by the advice contained in the question, "What king, going to make war against another king, sitteth not down first, and consulteth?" Had our Government done so at the beginning, it would have commenced by *repealing the Act 1844*; for though under the present law the learned author says truly, "the Bank has no alternative but to furnish gold and *contract the circulation*," it would by that step have been placed in very different circumstances, and could have furnished the gold *without contracting* the circulation, and thus have saved the country from the heavy pressure it has been compelled to bear, in addition to the unavoidable calamities of war. To expect that the gold thus suddenly demanded could have been supplied by the ordinary routine of commercial operations, is, to say the least, very simple; and to place it under the category of debt, can only serve to mislead. The Government had two sources of supply on which it might have drawn without causing any pressure on the country,—the ample stores of the Bank, and the fifty millions of gold employed as currency, a portion of which could easily have been spared.

The large export of silver bullion to the East, and the replacing of silver coin by gold in France, have had a great effect in preventing the arrival of gold at the Bank of England, which in ordinary times would have formed its resting-place. But, not to enter farther on that question here, we may now notice the manner in which the learned author applies the cause he assigns to the catastrophe of 1847.

"It happened," he says, "that in 1845-6, and just before the blight, the nation had become excited by a railway mania." Quite true. This was one of those "improvident speculations" which the Act, passed the year before, was framed to check; but, as if in mockery of its pretensions, the mania was more extensive and ruinous than any similar outburst of speculation since the South Sea Scheme. "*Hundreds of millions were suddenly sunk in the construction of these works.*" Hundreds of millions

suddenly sunk in railways! The amount of the *capital* authorized to be raised by *shares* and *loans* respectively by each railway company was indeed L.334,287,595, but the entire amount of share-capital actually paid-up of all the railways throughout the United Kingdom, to 23d October 1847, was only L.118,566,303; of loans borrowed L.38,961,799; and, making an allowance of five millions and a-half for those railways which had not then made a return, the sum total would stand at L.163,000,000,—a vast sum, certainly,—yet, great as it was, the money was found without much difficulty, and comparatively little embarrassment was occasioned by it.*

The learned author then refers to the “gambling speculations which infected all classes,”—thus finely burlesquing the Act 1844,—and says, “Prices rose high, and in consequence we sold *fewer* of those commodities than usual to *foreigners*.” We find, however, that during the three years to which he refers,—1845-46, and 47—the average annual *sales* to *foreigners* were L.42,781,062, while the average of the three years immediately preceding,—viz., 1842-43, and 44,—were only L.27,537,160, showing an average increase of upwards of five millions per annum. The sales of 1847, which, from the theory, should have been fewest, amounted to L.43,691,280, being the highest point they had ever reached. In the following year, however, the sales to foreign countries, which should have been high had we had debts to foreigners to discharge, fell to L.39,808,457, or nearly four millions below those of 1847.† “Trade, however,” he continues “was brisk; every one imagined himself prosperous; and as confidence was complete, *bank paper* was increased in amount in proportion to the extent of the transactions going forward; and this state of things continued some time.” In this also the facts do not correspond with the theory; for the bank notes in circulation over the whole United Kingdom, in the month of September 1844, were L.37,133,727; in 1845, L.39,032,647; but in 1846, they fell to L.38,746,263; and in 1847, to L.34,597,360.‡

“Towards the end of 1847,” he then says, “and the beginning of 1848, however, it became necessary to pay the *balances due to foreigners*, and the British merchants found themselves in an awkward position for doing so . . . and the problem was, how to get out of this awkward position.” . . . “Had the Bank of England not paid its notes in gold, our merchants who were *indebted to foreigners*, but who were still solvent, and had balances in the Bank, must have suspended payment of necessity.” . . . The Directors found that, until the *balance due to foreigners* was extinguished, every note they issued re-appeared in a few days, accompanied by a *demand for gold for transmission abroad*. They saw their stock of gold diminishing with great rapidity,—they had no means of ascertaining how far the *balance due to foreigners* was from being *extinguished*.”

* Appendices 37 and 38. Report of Committee on Commercial Distress.

† Statistical Abstract from 1840 to 1854.

‡ Ibid.

Hence the advance of interest, the extensive failures, and the outcry against the Act; or, as the learned author expresses it, “that the obligation on the Bank to pay gold for its notes was the cause of all these dire events.” Outcry against the Act there was, but certainly never against the obligation on the Bank to pay gold for its notes,—the notes themselves being as eagerly sought for as the gold; then came the panic; and then, “on the 27th October 1847, the Government *authorized the Bank to suspend payments, to tranquillize them*.” Suspend payments! No such authority was ever given. The words of the letter are, “They recommend to the Directors, in the present emergency, to enlarge the amount of their discounts and advances, *upon approved security*.”*

The view thus presented reads very smoothly. The narrative runs on from beginning to end most graphically, and, had it only been correct, might have commanded attention. But, wanting this, it is altogether worthless; and a few words may serve to show it. There were then two periods in 1847 at which commercial difficulties were felt, and severe pressure experienced,—in short, two commercial crises,—the one in April, the other in October; and the difference between the two was extremely striking. In regard to the first of these,—the April crisis,—to which the learned author makes no allusion,—the primary cause was undoubtedly the large import of grain which famine had occasioned, and for payment of which the bullion in the Bank was very largely exported. On September 12, 1846, it amounted to L.16,293,000; on 24th April 1847, it was reduced to L.9,664,000. About two-thirds went to America and about one-third to Russia or the Continent of Europe. So far the merchants had found no difficulty in obtaining gold to pay their debts to foreigners. The gold went freely out. The Bank seemed to think they had too much unemployed; and the rate of interest in August 1846 was

* The learned gentleman has lately been pleased to publish an explanation of these strange words, which we give entire, though, like Dr Johnson’s explanation of *network*,—“Anything reticulated, or decussated at equal distances, with interstices between the intersections,”—it does not make matters much clearer.

“TO THE EDITOR OF THE SCOTSMAN.

“Edinburgh, April 13, 1856.

“SIR,—The *Globe* is correct in pointing out an error of expression in my pamphlet on ‘the Currency,’ which first appeared in your columns. Instead of saying that in October 1847 the Government authorized the Bank of England to suspend paying gold for its notes, I should have stated that the Government authorized the Bank, in contravention of the Restriction Act of 1844, to issue notes unrepresented either by public securities or gold. The mistake in the expression arose from my regarding the eventual *result* rather than the words of the Government letter; for had the drain of gold continued for a short time longer, the stock of it would have been exhausted, and the suspension of cash payments, in consequence of this issue of unrepresented notes, would have been an unavoidable necessity.—I am, &c.

“GEORGE COMBE.”

3 per cent. So soon as the drain began it was raised to 5; reduced again in October to 4½, then advanced in November to 5, in January to 6, and in April to 7 per cent. The pressure was intense, but it did not last long. Yet even in this, the shorter of the two, so manifestly occasioned mainly by the large import of corn, the operation of the Act on the money market was severely felt. Mr Tooke, in answer to the question, "You were proceeding to state the difficulties of April 1847?" "If by the difficulties of April 1847 you allude to the pressure upon the money market, the rise in the rate of interest, and the great difficulty of obtaining discounts at all, that part of the pressure of 1847 I attribute exclusively to the Act of 1844;" and the explanation which he gives is the division of the Bank into two departments,—to which we have already alluded,—in consequence of which, "at the time of the pressure in April, when the reserve was reduced to L.3,000,000, which compelled the Bank Directors, *in their own defence*, to take measures of the utmost severity of restriction,—there were no less than L.6,250,000 in the Issue Department, which was as little available as if it had been in China."

Had the remarks of the learned author been confined to this first crisis of April, when gold had been so largely exported, they would not have been quite so much out of place; but he has made especial reference to the end of the year 1847 and beginning of 1848. Now, there is no fact better ascertained than this, that at that period the debts to the foreigners had been all paid,—that the exchanges were *in favour* of this country, and the *gold coming in, not going out*. As this, however, is contrary to the statement of the learned author, it may be proper to adduce some evidence in support of it; and we refer first to the evidence of Mr Palmer, one of the Directors of the Bank, who, in answer to the question, "If we had not had that high rate of interest, do you believe that the exchange would have been as favourable to us as it was?" replied, "There was *no foreign payment* to make; consequently, there would have been no prejudice to the exchange by a lower rate of interest." Again, in his reply to another question, which is too long to give here, he says, "During the whole period from the middle of April to the day of withdrawing the limitation of L.14,000,000, the foreign exchanges were in favour of the country;" and again, in reply to another, "If the Committee have returns of the export of gold from April to October, they will find that there was an *invariable balance of payment of gold made to this country from April to October*;" and again being asked, "The export of bullion for the payment of corn is also an evil, is it not?" replies, "It is an evil when carried beyond a certain point." Again, "I understand you to say, that the evils from which we suffered last year were mainly attributable to that?" Mr Palmer replies, "I do not believe that any evil would have been suffered last year, for the *exchanges turned at the end of April*, if it had not been for the provisions of the Act 1844. I believe, but for that, no evil would have been sustained by commerce."

We refer next to the evidence of Mr Cotton, also a Director of the

Bank, and an out-and-out supporter of the Act 1844. He is asked, "Had not the previous L.8,000,000 gone very rapidly?" and replies, "Yes; they had gone for payment of corn, but *that had terminated*; there was *no export of bullion in October*." And again, "Was gold at that time coming in to the country?" "It was."

Take, again, Mr Morris, the then Governor of the Bank, also an out-and-out supporter of the Act 1844. He is asked, "Do you mean to say that any gold went out in August?" and replies, "The export ceased in August."

We may also adduce Lord Overstone himself. In replying to a question touching his approval of the Government letter of the 25th October, his Lordship says,—"I have already stated that the fact of the exchanges being in favour of this country was an essential preliminary to the adoption of the measure;" and in the reply which he alludes to, he refers to the necessity of being assured of two things before it would have been proper to have issued that letter; first, of the panic being "real;" "and, in the second place, that it was absolutely necessary to be well assured that the *exchanges had turned in favour of this country*. *I felt satisfied upon both these points*." And still more strongly in the Report from the House of Lords,—"*In April the adverse state of the exchanges was barely rectified,—a slight cause would again have turned them against us; but in October they became clearly and decisively in our favour*."

But, not to multiply quotations, we would further adduce only the Government letter itself, which names "the transfer of capital from other countries," and "the influx of bullion," as among the reasons why they had expected the alarm to cease of itself.

These may suffice to show that, in referring to payments to foreigners as the cause of the crisis of October, the learned author has drawn largely upon his imagination, and that other causes must be sought for; and these are not far to seek. We may notice, however, first, that after the April crisis was over, matters became more calm, and the bullion slowly increased; interest was reduced in June to a minimum of 5 and maximum of 6 per cent.; and so continued till August, when it again advanced to 6½, 6¾, 6¾, and 7 per cent., which remained the highest till the 9th October, when it rose to 7½, advancing rapidly to 9 per cent.

The first thing that disturbed the calm was the prospect of a plentiful harvest; which, however propitious for the country, brought disaster to the speculators in corn, and accordingly some heavy failures took place among them in the month of August. "The case," says Mr Morris, the Governor of the Bank, "of the corn merchants in 1847 was a peculiar one. They were speculating at a period when an early and abundant harvest caused a fall in the price from of 120s to 60s." These failures gave rise to other failures, and these again to others still; so that a feeling of insecurity began to appear. The bankers throughout the country increased their reserves,—some to such an extent that they did not rest till they had secured gold sufficient to discharge every note they had is-

sued. Men in business found it necessary to do the same. "Many of us," says Mr Pease, "who were in the habit of keeping perhaps a few hundred pounds of gold and bank notes, immediately laid up thousands in our desks and drawers." As the notes in the till of the Bank diminished,—which the weekly returns made all too manifest,—a fear began to be entertained that bank notes sufficient for conducting ordinary business would not readily be got. The public saw that as the gold was drawn out the bank notes also disappeared; and the apprehension became more general that soon they would not be obtainable at all. Hence every one sought to obtain for himself what he thought needful for his own business. One gentleman borrowed £10,000 in bank notes at 10 per cent. for three months, to keep by him, lest he should not be able to procure any when he required them; and thousands did the same on a smaller scale; and thus large quantities of bank notes were hoarded, as well as gold. The one was quite as much in demand as the other. Nor was the alarm groundless, for the Act 1844 was now in full operation. "I do not think," says Lord Overstone, "the *essential properties* of the Act are called into action till there is a pressure from a drain of gold." Now, these essential properties were fully developed; and the more the notes disappeared, the more anxious every one became to obtain them, and the alarm at length became a panic. Mr Pease gives a most graphic account of his journey from Newcastle to London to obtain bank notes to pay his workmen. It took from £10,000 to £15,000 a-month to do so, and he found great difficulty in obtaining them. At this time the state of matters had become very gloomy. "For bills," he says, "and bills on the first houses in London, having only three or four days to run, Bank of England notes could not be obtained except as a personal favour: the first houses in town answered that they would take them with pleasure, but they really had not notes at command." Mr Gurney gives similar testimony. "Within your knowledge could good bills always find the means of discount during the pressure in April and October 1847?" "During these pressures there were certain days in which it was impossible to get bills discounted, and the holders of such bills were compelled to take the consequences of not getting them discounted." "If that state of things were to last, could the trade of this country be carried on?" "Certainly not; and for every day that it does last, it does an infinity of harm." At this time the state of matters about Newcastle was very alarming; and Mr Pease being asked, "With your knowledge of the district in the north in which you reside, supposing that that letter (the letter of the 25th October) had not been issued, and the *Act been carried into full effect*, what is your impression of the effect that would have been produced in that district?" replies, "My own impression is, that almost all commercial payments would have ceased the following week, and the workmen would have remained unpaid, for the bankers had universally refused to discount. No paper was discounted in the north; and, expecting, in the con-

fusion, to have to take up the private circulation, they would not part with either gold or bank notes," &c. &c. Had not the agent of the Bank of England given the required accommodation, even in opposition to the orders of the Bank, nothing could have saved the breaking up of the entire framework of society in that quarter. "I know," says Mr Pease, "that several of my brother coal-owners could not get their bills discounted, and they could not pay their wages, and the workmen were only prevented, by being quietly spoken to, from destroying the employer's houses; and had there not been relief given by the issue of that letter, we should all have been in the same predicament." And again, "there would have been an entire cessation of business and employment of the people."

The Directors of the Bank behaved, as far as they could, most liberally: even Lord Overstone himself has no fault to find with any part of their proceedings from April to October; but their efforts were in vain. The *Act tied up their hands*; they had no alternative. The learned author says,—“They had no means of ascertaining how far the *balance due to foreigners* was from being liquidated.” But well did they know, for their testimony is on record. The Governor of the Bank being asked, “When did the drain for internal purposes begin?” replied, “I see that we lost, between the 14th August to 30th October, 2,300,000 sovereigns; there was no export at that period; therefore that *arose entirely from internal demand*.” Being further asked, “The effect of a panic is to create, is it not, a demand for gold for internal hoarding?” replies, “No, not to any great extent: the amount of *notes* which were issued to the public in the same period was £2,754,000; that was between the 25th September and the 30th October; therefore the *drain* for gold was not more in proportion than the *demand* for notes.”

Thus, aware that the drain was for home consumption, they knew well that such a drain could easily be corrected. Had any discretion been left them, they would doubtless have exercised it, and done it so that no panic would ever have arisen, or, if it had, would immediately have been staid; for with favourable exchanges, Lord Overstone himself being judge, they might have enlarged the circulation without fear; but the *Act stood in the way*. It knew no difference, and made no distinction, between foreign and domestic drains, but went on in its rigid, unbending course, until it had tested the endurance of the country to the utmost, and brought the Bank of England to the verge of bankruptcy. It was under these circumstances that the Chamber petitioned the Government to suspend the operation of this relentless, unbending Parliamentary machine. They believed that it was the *sole* cause of all the alarm and all the panic. They were convinced that either the Act must be suspended or the Bank of England must be closed; and therefore, with all earnestness, they urged the Government to relieve the country from its fearful position, being fully satisfied that the suspension of the Act would at once effect it. All that the country wanted was confidence,—

confidence especially that they would obtain Bank notes when they required to use them. But no; under the operation of the Act this could not be, and desperately did the Government struggle to maintain it. In the nineteenth century,—that boasted age of intelligence and refinement,—they obstinately upheld a Parliamentary machine, rather than exercise, or permit to be exercised, that discretion which belongs to enlightened and experienced men. Truly the wisdom of the age must have been sorely exhausted when the prince of financiers could devise nothing better for the country's good than a Parliamentary machine, which, acting only by blind force, superseded and overrode the wisdom of man!

But at length the state of the country became too alarming, even for a Ministry bent on supporting the Act in all its integrity; and with a feeble, trembling hand they relaxed its grasp. They issued the celebrated letter of the 25th of October, and immediately all alarm ceased, all danger disappeared. Confidence was, as by a charm, restored; and man could again deal with man. The Act 1844 was in effect suspended, and the country was saved. Is it needful to put the question, What was the cause of the crisis of October 1847? Is the proof not sufficiently complete? Friends and foes alike admit the wondrous effects of its suspension; and what more can be required? So wonderful, indeed, were the effects, and so entire the restoration of confidence, that both gold and notes which had been carefully hoarded in the day of alarm were now restored to the Bank. The gentleman who had borrowed the L.10,000 in notes "returned the very same notes he had borrowed," having never had occasion to use them; and the general result was, that the bullion, which in the beginning of November had fallen to L.8,478,000, rose so rapidly as to stand on the 1st January at L.12,014,000, and the notes in the hands of the public, which at the beginning of November amounted to L.21,152,000, fell within the same time to L.18,789,000.* Nay, so instantaneous were the tranquillizing effects of the letter of the 25th October, that the Government found it safe to withdraw it on the 23d November; after which the rate of interest was lowered, and in December L.157,934 were done at 5 per cent.

In October last, when the Chamber presented the memorial which has been so fully commented upon, matters seemed verging very fast towards a similar state of things. The reserve of the Bank during that season had gone steadily down. In July it amounted to upwards of L.11,000,000, and in October had fallen to little more than L.4,000,000. If the fall had continued at the same rate for another month, nothing could have prevented a catastrophe of a similar kind. The Chamber, therefore, thought the time was come to pray the Government to prevent the mischief that seemed impending. The "essential properties" of the Act 1844 were once more in operation, and the very idea of a recurrence to any extent, of the calamities of 1847, was surely enough to rouse to

* Report of Committee of the Commons on Commercial Distress, App. No. 3.

exertion in order to prevent them, and fully to justify the Chamber in the step it took. There were only two ways of proceeding,—either to suspend the Act, or put on the screw. The Government having refused the former, the Bank had no alternative but to adopt the latter; and the results have been but too plainly exhibited in the pressure so long and so patiently endured by the commercial community, and also in the great prosperity of the banks in London. Dividends of 10 per cent., with other 10 per cent. of bonus, and a surplus over all, could scarcely have been realized under ordinary circumstances. Had the prayer of the Chamber been complied with, there is every reason for believing that, while the banks might have been very prosperous, the country would have been spared the infliction of the pressure on the money market which has been so severely felt.

Great, however, as was the relief obtained by the suspension of the Act, the effects on the country and its trade did not so soon pass away; a degree of prostration was left, which was manifested in various ways. The exports, for example, which in 1847 had amounted to L.58,842,377, fell in 1848 to L.52,849,445; nor was it till the following year, 1849, that trade had so far revived as to enlarge their amount. Money, too, became plentiful, and interest low. In May 1848, Mr Birbeck being asked, "Do you happen to know the state of the money market in London at this time?" "Yes." "Money is at a very low rate of interest for short periods?" "Yes." "As low as 2½ per cent?" "Yes; I know of money that has been lodged for less than that; 2 per cent., and 1 per cent. for short periods,—fourteen days, and a month."

But perhaps the best view of the state of the country at that time that can be given is to be found in the evidence of Mr Pease.* Speaking on 18th April 1848 of the prospects of trade, he says, "I think the most discouraging part of the case at present is, that no person of undoubted property seems inclined to go into business again without very great and mature deliberation, remembering the dreadful harassments of the last *six or eight months*. No terms I can use can describe the pressure and the distress which every person in extensive business has passed through in the last six or eight months in this country, and the number of capitalists determined to be out of business at almost any sacrifice is very large." Being asked, "Do you mean to say that houses of the first character were in a state of difficulty?" replies, "Undoubtedly." "Are you now speaking of the counties of Durham and Northumberland, or of your friends generally throughout the country?" "I speak of every person carrying on business of every description. I was in London the two days immediately preceding that upon which the letter was issued; and I think I never saw persons more pale or anxious universally than they were then, and I am sure I could feel for them." "If a first-rate merchant in

* Report of Committee of the Commons on Commercial Distress, 1848, p. 346, &c.

London had unexceptionable securities to offer, could not he obtain bank notes for them?" "By no means." Again,—“Under all the operations of the screw by the Bank of England under adverse exchanges, upon whom does the distress or pressure fall the heaviest?” “Undoubtedly upon the man who is forced out of work, or whose employment is seriously diminished; but as regards the impoverishment of capital, looking at it as a matter of pounds, shillings, and pence, I should be afraid that the accounts of almost every man engaged in commerce and manufactures would show a frightful cutting down in the last year.”

“Do you think that even solvent houses have suffered?” “I have no doubt of it; I do not speak of it universally; but generally, from the circumstances under which they have carried on business, the high rate of discount, and the failures and losses, and the great depreciation of stock, they have very bad accounts.” “But the classes who can least escape from the infliction are the working classes?” “Certainly.” “And the working classes suffer most?” “Yes.” And again,—“Do you think that the distress of all classes, both the labouring classes, the mercantile classes, and the retail dealers, was greater or less in 1825 than it has been in the year 1847?” “I am really of opinion that there never was a greater amount of distress amongst all classes, and borne with more admirable fortitude, than that which existed in the last six months. That which has come under my own notice, going amongst thousands of my work-people, is harrowing to the extreme. The amount of Sunday clothes in pledge I never saw equalled in the same degree: food has swallowed up everything with the want of work.” These may suffice to show, that in England at least there was no immediate revival,—no bright side of the picture there. Long did the paralyzing effect continue; and it was only by slow degrees that the country was restored to healthy and vigorous action. Yet Mr Combe speaks of a brighter side. Doubtless the plague which desolated so fearfully the dwellings of London in 1665, and the fire which consumed them in 1666, had a brighter side; but dismal they were,—too dismal almost to think of. Doubtless, too, the tempest which strews the coast with wrecks may have its brighter side too; and the more terrible the tempest, the brighter for those whose vessels, snugly ensconced in the harbour, have escaped the fury of the blast. Doubtless, too, bankruptcies at all times have a brighter side, and so have they often been advertised;—extensive bankruptcies,—great sacrifices,—come and buy!

The cool and indifferent manner in which some of the supporters of the Act 1844 speak of the sufferings it occasioned is wonderful. Take, for example, the Governor of the Bank: Being asked, “Are you aware that the public stocks in the country, and canal, and railway shares, had already, by the 23d October, been depreciated in the aggregate to the amount of £114,752,225?” “It has been so stated.” “Was it to be endured that a still greater depreciation than that should be submitted to?” “If it was a necessary consequence arising out of the then state of things, it could not

be helped.” Yes; it could not be helped. The country might be ruined, but it could not be helped; and though reminded that the suspension of the Act at once put an end to all further depreciation, he still insisted on the propriety of maintaining the integrity of the Act. “I stated that, as far as the Bank was concerned, it was not requisite that the letter should have been issued; but whether the Government had any political reasons of their own, such as the *stopping of mills, or disturbances in the country*, that was a subject for the consideration of her Majesty’s Government,—not for the Bank of England.” There might be stoppage of mills and disturbances in the country, but it could not be helped. But we forbear, and shall only mention farther, the items of depreciation referred to in the preceding question. These are contained in the Appendix to the First Report of the Commons’ Committee on the Commercial Distress of 1847, is dated 27th January 1848, and forms No. 33 of that Appendix. It gives in detail the items and depreciation. It appears from this document that

<i>Bank Stock, Consols, Long Annuities, India Stock, and Bonds</i> , had suffered a depreciation, from the 1st February up to the 23d October 1847, of	£93,824,217
Commercial, East and West India, London, and St Katharine’s, Docks,	1,094,714
Grand Junction, &c., Canals,	253,474
	£95,172,405
Railways,	19,579,820
	£114,752,225

But no sooner had the letter of 25th October appeared than they immediately rallied, prices rose, and there was an *appreciation*, as it is called, of the public securities—bank stock, &c.—within a month, on the 1st December 1847, of no less than £42,269,003; so rapidly did the *removal* of the restriction of the Act 1844 operate in restoring the value of these securities. Even the railways rallied; and in the same space of time an appreciation to the extent of £3,023,749 took place. Doubtless many who had speculated in these greatly beyond their means suffered from the effects of their own folly, and had none to blame but themselves. Yet the above statement shows plainly the fearful effects of the Act, when its “*essential properties*” are fully developed. In Scotland comparatively little was felt. Interest, indeed, rose, and individual cases of hardship occurred; but, generally speaking, comparatively little inconvenience was felt, thanks to the excellence of our banking system, and the confidence which was universally felt in the stability of the banks. Calmness reigned over the land; and, there being abundance of the circulating medium, the fears which harassed the sister country never were felt north of the Tweed. But, had not the letter of the 25th October been issued, and the alarm and panic been staid, Scotland too would have been convulsed to its centre.

Before, however, leaving this branch of the subject, it may be worth while to observe, that this was the third time the oppressive and injurious effects of the Act 1844 had been felt. To illustrate this, the evidence of Mr Samuel Gurney may be referred to. Thus, on 25th February 1848, being asked, "Before we proceed to ask you any question with regard to the last year, will you state to the Committee whether you think that since the passing of the Act 1844 there has been any previous period which shows the working of the Act?" replied, "In February 1846 the operation of the Act was sensibly felt;" and having explained the great stagnation (the interest all the while remaining at 3½) which occurred at that time, and its primary cause, viz., the payment into the Bank of the deposit required for each railway bill introduced into Parliament, was asked, "Do you consider that stagnation to have arisen entirely from the operation of the Act 1844? and if so, in what way?" "It took place *solely* in consequence of the operation of the Act, inasmuch as, if it had not been for the Act, the Bank would have been willing to have made liberal advances, and the public would have had all the accommodation they required, and, instead of a time of pecuniary distress and disturbance in the money market, it would have passed over without being noticed by the public." Again he was asked, "Was there at that time any other cause whatever which was likely to have produced that effect?" replied, "At that time there was *no other cause whatever*: it was a period when the stock of bullion in the Bank was upwards of L.13,000,000, and the exchanges in favour of the country; the stock of bullion was gradually on the increase; it was a period of great monetary prosperity." And again, "The inconvenience at that time, in your opinion, arose entirely from the restriction in the Act?" replied, "*Entirely and solely*; there was nothing in the money market or money transactions of the time but what led to entire ease and facility, excepting as we were under the bondage of this Act." And he remarks farther, that "it has given me that experience which would make me extremely alarmed at any very large payments to be made by the public into the Bank under the operation of this Act."

Three times within three years of the passing of the Act one would have thought enough to secure its condemnation, but, thanks mainly to Australian gold, the abundance of which has long kept it a dead letter, it still survives; and we now proceed to inquire into the view Mr Combe presents of the

DESIGN AND EFFECTS OF THE ACT 1844.

The objects which Sir Robert Peel contemplated by the Act 1844 may be stated in the emphatic words with which he concluded the speech he delivered on the 6th May, on the introduction of that measure into Parliament. When he had spoken of the evils he deplored, he then

adds, "I rejoice in the hope that the wisdom of Parliament will at length devise measures which shall inspire *just confidence in the medium of exchange*, shall put a *check on improvident speculations*, and shall ensure, so far as legislation can ensure, the *just reward of industry*, and the *legitimate profit of commercial enterprise* conducted with integrity and controlled by provident calculation." The Right Hon. Baronet was no mean man, and must have due credit given him for a real desire to promote his country's good. True, it was only when, by abandoning views he had long held fast, and turning his back upon measures he had steadily supported, he abolished the corn laws, and put the copestone on free trade, that he gained the reputation he so well deserved, and earned the honours so willingly paid by a grateful country. (Pity that he was cut off by so untimely a fall.) Had he still survived, we might have been spared the extreme and needless pressure which, in addition to the ordinary exigencies of war, has weighed so heavily upon the nation. When he introduced his monetary measures of 1844 and 1845, he doubtless expected to be the author of much good; but every one of his high expectations having been cruelly disappointed, as those opposed to him expected them to be, from the erroneous grounds on which they were based, the Act has, by common consent, been admitted to have been a failure in regard to them; and now we find the learned author of the pamphlet, in replying to two admirable letters from Mr Little, expressing himself thus:—

"Mr Little, in common with many other persons, assumes that the great object of the Bank Restriction Act of 1844 was to prevent commercial convulsions; but *this is a mistake*. It was designed to ensure the *instantaneous* conversion of bank notes into gold on demand;" and he elsewhere contends, that the convertibility shall be *real and direct*, and not a *sham*. Sir Robert Peel, on 2d March 1848, asks Mr Cotton, who had been Governor of the Bank in 1844, "Supposing parties holding Bank of England notes were at the same moment to present their notes and demand gold, would there be any possibility of paying them?" and he answers, "No; we act upon the confidence that parties will not do so; they cannot do so to a large amount." Where, then, is the instantaneous convertibility of the notes of the Bank? Is it real and direct, or is it only a sham? It is a sham, if by the "instantaneous conversion" of bank notes into gold is meant the conversion of all the notes which may be in the hands of the public at one time. If, on the other hand, the meaning is the conversion only of such a number of notes at one time as may be required in the transaction of business, then the conversion was quite as instantaneous under the old system as under the new. The conversion depended merely upon the Bank retaining a sufficient supply of gold in its coffers to meet those demands, and the quantity to be thus retained is a question much more safely placed in the hands of experienced Directors than under the regulation of any Parliamentary machine.

The fact is, that from the resumption of cash payments, bank notes were not only convertible into gold at the pleasure of the holder, but every one who desired them so converted obtained his desire. The Act 1844 made no difference in this respect. The notes were as convertible before as they have been since, or ever will be, unless, indeed, they should be made a "preferable claim," when, even in the event of the bankruptcy of the Bank, their payment in full would be secured. This would, however, be so unjust to depositors that it could never be endured. The man who deposits L.20, L.50, or L.100, and gets a receipt for it, is quite as much entitled to payment in full as the man who only deposits his L.5, for which he holds a "promise to pay," although that promise circulates from hand to hand. "Each note is simply a transferable acknowledgment of a debt due from the banker to the first recipient of the note, and which he (the banker) promises to pay on demand." The learned author, indeed, maintains that the Act 1844 has made the convertibility more certain than before; and he further claims for it, as no trifling advantage, that "since 1844 the bank note and sovereign have been kept steadily of equal value;" but this is a mere assumption, for they have remained "steadily of equal value" ever since the resumption of cash payments; and it cannot be otherwise; for so long as one is able, simply by taking a note to the bank, to get sovereigns for it, it is absolutely impossible that the value of the one can be less than that of the other; and as no one has yet shown that a convertible bank note ever sold for less than its value in gold, or would command less wheat than such gold would, so neither has any one shown that a Bank of England note presented since the resumption of cash payments has been exchanged for a less value than it represented.

The claim set up in favour of the Act, that in times of difficulty it operates as a safe guard to the convertibility of the note, is a vain and delusive one; on the contrary, we maintain that in October 1847 the convertibility was put in greater peril than at any former period. But, in truth, the convertibility of the note never was fairly tested. Confidence in the Bank of England never was shaken; and this confidence rested, not on the gold unnecessarily locked up in the Issue Department, which could all have been drawn out in a short time by the holders of the notes had they been so inclined, but upon the vast resources of the Bank, which afforded an ample guarantee that, under any circumstances, every holder of a bank note or a deposit receipt would receive payment in full, provided only that, in the event of such an emergency, sufficient time were allowed the bank to realize its funds.

Indeed, in speaking of the convertibility of the bank note, too little attention has been given to the *solvency* of the Bank. So long as a Bank is solvent, and convertibility required by law, its notes will remain of full value; but should bankruptcy overtake it, then its notes will share the fate of its other liabilities, and its assets be equally divided in their dis-

charge. The notes, too, in general form but a portion, sometimes a small one, of the liabilities.

In the Bank of England they form, indeed, a large proportion of the liabilities; but in the Banks of Scotland a very small one; for while their circulation does not average more than about L.3,500,000, their deposits amount to more than L.30,000,000,—an amount due to the confidence reposed in them, not merely from their large paid-up capital of L.11,000,000, but from the admirable system of banking, and prudent management of the Directors. Their notes being payable on demand, the Directors have always kept a sufficient supply of gold and silver to satisfy every demand. The compulsory keeping of nearly L.2,000,000 of gold for which they have no use whatever, while it adds nothing to the security for convertibility of the notes or payment of the deposits, entails a loss of nearly L.60,000 per annum, which they have been compelled to make up by charges not formerly made upon the public;—thus imposing a farther burden on the commercial classes of this country, without any corresponding advantage; for when merchants in Scotland require to remit to their foreign correspondents, they draw on London, not on Edinburgh or Glasgow. Moreover, gold is not in favour with the people of the country for ordinary use, and is rather regarded, in the language of Dr Thomas Murray, as a "nuisance." Hence the gold remains idle in their stores, and, when more largely needed, in consequence of the requirements of the Act, is brought down from London in boxes, which, when the press is over, are returned again, generally unopened, to their resting-place,—the whole being, in fact, so much capital rendered unproductive by Act of Parliament. The matter, viewed in this light, resolves itself into a question regarding the parties that should be allowed to issue bank notes; and these, in the opinion of the Chamber, should be public bodies, "with a numerous proprietary, unlimited responsibility, a large paid-up capital, and the note convertible into gold or silver on demand." Such now are the banks of Scotland, which, by means of the bi-weekly exchanges, reducing the circulation to the lowest possible limits, are as stable and secure as anything in this world of change can be.

But as the bank notes declared convertible by law were to the full as convertible before the Act of 1844 as they have ever been since, so were they as little capable of *being issued in excess*, and consequently *subject to depreciation*. "For what, in reality, does excess of issue and consequent depreciation mean? If it means anything, it is, that the paper in circulation will not command the full quantity of coin it represents, or exchange for the same quantity of commodities as that coin would. But will any one believe that in this country, with such facility of intercourse, bank paper in any part of it could ever experience such disparity with coin, when, on presentation, it can be exchanged for its full value." "But," says Mr Combe, "it was to prevent

this evil that the Act 1844 was passed," and doubtless Sir Robert Peel thought he had made out the proposition by facts unanswerable. But what says Mr Wilson? "Sir Robert Peel stated some startling evidences of his proposition in his speech on the 6th May 1844,—startling indeed, had they turned out to be true, or applicable to his case;" and having at some length examined the evidences adduced, concludes,—“Here, then, is the evidence on which Sir Robert Peel founded his bill, not one tittle of which has the slightest relation or relevancy to the subject with which he was dealing. We cannot suppose Sir Robert Peel ignorant of the evident and essential difference between the present convertible currency of this country, of which he was treating, and of the inconvertible notes by which he illustrated his argument. Nor can we suppose it possible that he was ignorant of the fact, that the cases he quoted,—at least of the more notorious and startling ones of the Bank of England and the Bank of Ireland,—in which he asserted the depreciation to have been 17 per cent. and 18½ per cent. respectively, were of inconvertible, not convertible, paper. And really, therefore, we cannot give the Minister credit for much candour in securing a temporary apparent triumph in a speech, by the use of facts which, when stated fully, were not only irrelevant altogether, but which, when fairly looked at, would have supported the opposite theory.” But even Sir Robert himself may be said to have settled the question, by asking, in a subsequent speech, published in the *Times* of the 21st May, in relation to a supposed increase of prices from the depreciation of convertible paper:—“Suppose you have depreciated your paper, and your paper still remains convertible into gold, do you think that every man who had a right to insist upon receiving five sovereigns for his L.5 note, would not immediately insist upon that right the moment he found that gold was more valuable than paper? Don't you suppose that if the great dealer in exchanges in London, M. Rothschild, found that by presenting L.500,000 of paper at the Bank of England he could get 500,000 sovereigns, and that they were more valuable, he would avail himself of the power the law gave him, and demand gold? and don't you suppose that every other man whose transactions were less extensive, but who had a right to receive five sovereigns for his L.5 note, would immediately demand it?” Doubtless he would; but how, in such a case, the one could be more valuable than the other, is a mystery that would require a greater than even Sir Robert to solve.

Even in regard to inconvertible paper, it is very remarkable that in this country it does not appear that during the period between 1810 and 1830 there was at any time much difference between the aggregate of notes and the value of the gold they could purchase. Thus, says Mr Jacob, “though we shall see much variation in its nominal amount, we shall find that its whole value, as applicable to the purchase of gold, varied but little during the course of the term.” . . . “In the year 1810 the Bank of England notes were about L.24,000,000 and the other paper monies being equal, the whole may be taken at

L.48,000,000. The price of gold at that time was L.4 10s. per ounce. The whole paper money would then have purchased 10,666,666 ounces of gold. In the year 1814 the bank notes amounted to L.30,000,000; and that of the other kinds being supposed to be equal, the whole would be L.60,000,000. The price of gold was L.5 10s. per ounce, and the paper money would have purchased 10,909,090 ounces of gold. In the year 1829, the average circulation of the Bank was L.19,948,000, or say L.20,000,000; and, taking the other circulating paper at the same amount, the L.40,000,000 would have purchased 10,169,200 ounces of gold, at L.3 17s. 10d. the ounce,—the price of the day.”*

Such being the case, the question may fairly be put, Whether was the note depreciated, or the gold enhanced? They were concomitant events. Which was cause—which effect? When gold was at L.5 10s. per ounce, the sight of a guinea was a rare thing, and not to be repeated twice with the same guinea, as it could be immediately exchanged on the Continent for 27s. or 28s. There was then, practically, no standard; but if the standard had been L.3 17s. 10½d., how many of our sovereigns would have remained in the country? “The Act of 1844,” says the learned author, “effectually saves merchants dealing with foreign countries from this evil, because it preserves the domestic currency always equal in value to gold.” Not so. The domestic currency has always been equal in value to gold since the resumption of cash payments; and the repeal of the act would make no difference whatever in this respect. But it should not be forgotten, that the domestic currency of this country is not the currency of other countries, even though it were entirely metallic.

Another object regarded as of great importance by the supporters of the Act 1844, is to regulate the paper currency so that it shall fluctuate in the same way as a circulation purely metallic would do, which they maintain that convertibility alone will not secure. We have already occupied so much space, that we cannot enter at length upon the question, but would content ourselves with asking some of the learned ones to explain how a paper currency convertible at pleasure into gold can expand or contract in any other way than the gold currency into which it is convertible does? and adopting the following as our conclusion:—“We therefore hold it to be an incontrovertible fact, that there can be no variation whatever in the quantities, values, or general action of a currency purely metallic, or of one composed of coin or convertible paper; and that the principle of convertibility alone is a perfect guarantee that in all cases, and in every respect, the one currency would strictly conform to the other.”†

Without entering farther into the many points raised in the course of the learned author's pamphlet, most of which are more or less treated of

* Historical Inquiry on the Precious Metals, vol. ii., p. 369.

† Wilson,—Capital, Currency, and Banking, p. 60.

in the succeeding papers, and which have, moreover, been very satisfactorily replied to by more than one able writer, as, for instance, Mr James Miller and Lieutenant-Colonel Macdonald, we may observe in conclusion, that even Mr Combe admits that the Act is capable of improvement. "We do not maintain that all the details of the Act 1844 are perfect. Some of these may require to be modified to suit the changes in the wealth and population of the country since that date; and experience may have shown how others can be improved. All we contend for is a currency convertible into gold on demand, and that the convertibility shall be real and direct, and not a sham." In all this we entirely concur with him. We desire it, and it is all that we desire. But when he states that the Act "contains the best regulations for accomplishing this end which we have yet seen proposed," we as entirely differ from him, and maintain that we had such a currency before the Act 1844 was passed, and would have it as perfect, and more safe, were it repealed to-morrow; and therefore the first step in the "improvement" of the Act we hold to be its REPEAL.

Holding this view most strongly and conscientiously there are yet some things so obvious, that we believe few friends of the Act would object to their adoption. In particular, we may instance the folly of fixing the amount of issues on securities at £14,000,000; thus stereotyping the circulation of the country, without stereotyping its business. The Act should have contained clauses limiting commerce and prohibiting an increase of wealth. Then it might have been in keeping with the state of the country. But a "free trade and a fettered currency" never can consort together. The corn laws failed to keep up the price of grain to 80s., as originally intended, because Parliament omitted the insertion of clauses regulating the quantity of rain which should be permitted to fall, the amount of sunshine the country was to be indulged with, and the warmth of the seasons. The consequence was, that some seasons were perversely propitious; and within a few years after the passing of the Act, the price of grain fell lower than it has almost ever been since; and while the country rejoiced, the agricultural interest was brought to the brink of ruin. Yet the Act was clung to as essential to the safety of the country, until matters came to such a pass, that the Right Honourable Baronet was himself compelled to abolish it; and now the fears which were entertained as to its abolition have vanished away, and all classes rejoice together.

The case is much the same with commerce. The power of Parliament extends but a very little way, and can no more control its movements than those of the seasons; and the Act 1844 must as necessarily fail as did the Act 1815. The currency which sufficed in 1844, with its exports of £58,594,705, cannot be expected to satisfy the wants of 1854, with its exports of £37,092,308. Verily, had Australian gold not come to the rescue, the Act had long since been numbered with the things that were. The gold, however, came in so abundantly, that in September

1852 it amounted to £21,838,000. The Act became a dead letter, and was altogether forgotten. The snake was scotched, but the war revived it, and once more its baneful effects appeared.

And now that the war has ceased, the Act again retires from view, or, in the language of the *Times*,^{*} "All exceptional influences being now removed from the money-market by the conclusion of peace, a gradual return to the charges of ordinary times may be looked for." That return has been more rapid than the *Times* appears to have anticipated. Already interest has been greatly reduced, and all the country partakes of the advantage. Gold for feeding armies abroad being no longer required, the banks of Scotland, as well as those of England, have been enabled to reduce their rates, and commerce is relieved. The Act renders a vigorously conducted war and a carefully fostered commerce incompatible. Its repeal would enable both to proceed together; and even if retained, the amendment now suggested would go far to prevent a recurrence of evil.

Farther, the division into two departments ought at once to be abolished, and the Bank restored to the unity it possessed before. This would remove the compulsory contraction of the Issues, which some contend is needful for correcting the exchanges, but regarding which we would rather adopt the opinion of Mr Palmer, one of the most intelligent of the Bank Directors, and to which we have already referred, who being asked, "In order to correct the foreign exchanges, you consider that raising the rate of interest is as efficient an instrument in your hands as diminishing the circulation?" replies, "I think that it is the only efficient mode, and far more efficient than diminishing or attempting to diminish the circulation; it is the attempt to diminish the circulation which brings all the mischief."

We must, however, forbear. Our object was merely to vindicate the Chamber of Commerce from the attacks which were most unjustly made upon it, and from the odium which, with no sparing hand, was cast upon it; and, in doing so, to show that the principles it maintained, and the proceedings it adopted, though diametrically opposed to those of Sir Robert Peel and his supporters, were neither inconsiderately adopted nor ignorantly maintained. We feel that these preliminary remarks have been extended too far, and that, notwithstanding, important points remain to be discussed. To have entered fully into them all would have required a treatise; but if what has been done serves to put in a clearer light the views of the Chamber on this important matter, the object for which they were written will have been gained.

* Money Article, May 23, 1856.

PART II.

SERIES OF PAPERS ON MONETARY AFFAIRS.

(From "The Witness" of December 1, 1855.)

THE Chamber has uniformly maintained the principles of Free Trade in regard to all commercial operations. It did so in the case of the Corn Laws, when almost all besides upheld the cause of Protection; and it continued to advocate entire freedom from all restriction until the Corn Laws were abolished, and free unrestricted importation fully established. The Chamber maintained the same doctrine in regard to all other articles of Commerce; and the principles of Free Trade are now so thoroughly incorporated with our whole system, that they are not likely to be interfered with.

The Chamber has also uniformly maintained the same principles in regard to the monetary affairs of the country. It maintained them in the face of the most powerful opposition, until completely borne down by the late Sir Robert Peel, under whom the system of monopoly and restriction reached its culminating point in 1844, and was fastened upon the country by the Act 7 and 8 Victoria. The overwhelming influence of the Right Hon. Baronet made all resistance vain; and although many pointed out, and pointed out most ably, the defects of his system, and the dangers to which its temporary triumph would expose the country, they were regarded only as disturbers of the public peace, their "words of warning" as idle tales, and their anticipations of evil as visionary fears. The system of restriction was in the ascendant, and they who thus exalted it doubtless believed that commercial distress was now for ever at an end, and that panics in monetary affairs would be heard of no more.

Not contented, however, with the establishment of the system in England and Wales, its author sought to extend it over Scotland also; and the Chamber, seriously alarmed, endeavoured to stay his hand. So early as July 1844, a general meeting instructed the Directors to watch carefully over any proceedings that might be taken in regard to Scotland, being of one mind as to the excellence of the Scottish system, and the danger which might result from any interference with it. This was no new or hastily taken up view of the subject, but the result of long-continued and careful observation; for we find that in the year 1826, when the first attempt was made to interfere with the Scottish system, a series of resolutions was passed by the Chamber, and a petition founded on

these, deprecating any interference with Scotland, presented to the Honourable House. The opposition then made to the passing of the measure was fortunately successful; the admirable letters of Malachi Malagrowther,—one of the most valuable contributions of one whose world-wide reputation has made Scotland itself illustrious,—having given the *coup de grace* to the whole measure.

Again, in 1841, similar measures having been threatened, the Chamber renewed its protest against such interference. But its views may perhaps be most clearly, and even shortly brought out, by giving a copy of the memorial unanimously adopted in 1847, at a time when the effects of the restrictive system were being fully developed in the commercial embarrassments, alarms amounting to panic, failures spreading almost to universality, with a just apprehension of a crash, from which even the Bank of England might not be able to escape; all faces were gathering blackness, and the excitement was beginning to be too fearful to contemplate. At this time the Chamber memorialized the Government for the suspension, with a view to its repeal, of the Act Vict. 7 and 8, 1844. Other petitions of a similar nature were also presented; but Government was deaf to all remonstrances, the calamities which were on every hand were disregarded, and an entire indifference manifested to the sufferings and rapidly approaching ruin of the country, until at length a deputation from the private bankers of London waited on the Premier, were respectfully received, listened to, their prayer heard, and the relief so earnestly desired at last granted. It was on the 13th October that the memorial of the Chamber was presented and refused; it was on the 23d that the deputation of London bankers was received; and on the 25th the order was issued which in effect suspended the Act, and with it all the panic and alarming condition of the country. The noose on the neck of commerce was cut. Commerce again breathed; peace was restored as if by a charm; and the fearful forebodings of an alarmed people were changed into a calm repose, with gratitude and thanksgiving for the signal mercy thus vouchsafed.

The names of the members of the deputation are not all recorded: among them are mentioned those of Messrs Masterman, Abel Smith, Glyn, Bevan, Barnett, and others; neither did the arguments employed on that occasion transpire. Rumour supplied some of them, and among other things it was said, that an intimation was given by the deputation, that the necessities of the case would compel them to call up the balances then in the hands of the Bank,—a demand which, if made, the Bank was in no condition to comply with. The amount in that particular week at the credit of the London bankers with the Bank of England being £1,615,000, while the whole disposable funds of the Bank amounted to little more than half a million. We say disposable, for bullion to the extent of £8,313,000 was in the coffers of the Bank; but the Act of 1844 locked it up as firmly as if it had still remained in the original mine, where it was deposited by the beneficent Creator for the good

of man, would man's folly but permit him to avail himself of the bounty of his Maker. Whether, therefore, the argument was employed in words or no, it could not fail to have been employed in fact. The first law is that of self-preservation; and matters had come to that pass, that the bankers would have been compelled to take up their deposits to save themselves; but the Bank, under the operation of the *restriction*, could not have given them, and must have suspended payment.*

Recently the Chamber observed a tendency to a similar state of things as then occurred,—a tendency so strong as to have caused a rate of interest nearly as high as that of 1847; for in the last week of September of that year we find L.91,494 discounted by the Bank of England at 7 per cent. The last week of September of that year showed the bullion to have sunk to L.8,783,000, while the bullion this year has not fallen below L.10,000,000, yet the interest is as high as it was then. True, it rose very rapidly after that; and thus we find in October of that year (1847) L.731,825 discounted at 9 per cent., and in the first week of November we find L.4856 done at 9½,—so rapid was the progress of the panic; but so rapid, on the other hand, was the return of confidence after the suspension of the Act, that on the 4th December we find the highest rate was reduced to 7½, while L.190,613 was done at 6 per cent. The Chamber, then, has again petitioned for the same thing which it desired in 1847, and which at that time so effectually relieved the country. Was it too soon? Other public bodies did not think so. That important Chamber, the Chamber of Commerce of Glasgow, had anticipated its movement. The Liverpool Chamber has moved in the same direction, in a series of admirable resolutions, adopted on the 23d October last. And, in truth, the condition of the nation is perilous enough. If no large supply of Australian gold makes its appearance, and if the drain occasioned by the war and the state of the crop continues, and the restriction be maintained, no effort of man can long avert a catastrophe of the most frightful description. A wise Government will seek to prevent rather than to cure such wide-spread ruin as the too-long continued restriction of 1847 created. In the words of the Liverpool Chamber, "It is requisite that [the suspension of the Bank Act by the Government] should not be deferred (as in 1847) until, by the total loss of confidence, unnecessary suffering and injury shall have been experienced."

The following is a copy of the memorial of the Chamber to which we have referred above:—

"That your memorialists have observed with regret, but without surprise, the great inconvenience, embarrassment, and loss to which the commercial community of this country has been exposed through the operation of certain laws recently enacted for regulating and controlling the business of banking in Great Britain and Ireland.

* It has recently been affirmed that this rumour was entirely without foundation. If so, the potent spell which prevailed over a Ministry previously immovable, remains to be discovered.

"That the effect of this legislative interference has been to prevent the conversion, at the proper time, of the requisite proportion of capital 'into the convenient and necessary form of a currency which can pass from hand to hand,' by basing it partly on gold,—an article of commerce which may be exported to foreign countries in the course of trade, at the very time when a free and unrestricted currency is most required at home; the result of which, under any circumstances, necessarily is to impede every branch of commercial and manufacturing industry; and, when the export is large, to cause embarrassments of the most alarming description.

"That, in the opinion of your memorialists, no satisfactory reason has ever been adduced to show that the banker or money merchant should be more severely checked and hampered in his transactions than the merchant, whose dealings are only in money's worth; or that the free and unfettered action of the one is not as indispensable to the healthy state of an increasing commerce as the other.

"That Parliament having given its sanction to the formation of so many railways, and, at the same time, having afforded every facility for the free importation of articles of food, has acted with manifest inconsistency in interfering with and shackling the monetary system; for 'with the right hand Government gives the greatest possible encouragement to domestic railways, and does everything in its power to extend foreign trade, while with the left it fetters the hands by which these undertakings are to be carried on, and renders the very causes which require an augmentation of the currency the certain means of ruinously contracting it.'

"That in so far as the existing monetary laws neutralize the excellence of the banking system of Scotland, your memorialists have always viewed them as directly subversive of the best interests of the country. Free competition in banking, a numerous proprietary, unlimited responsibility, and a paper currency convertible into silver or gold on demand, has been by long experience matured into a system better suited to the wants and trade of the country, safer in itself, more economical and convenient, more implicitly relied on by an entire people, than any system ever devised by any State for the service of its subjects; a system which no State can give, and which, in the judgment of your memorialists, no State ought to be allowed to mutilate or take away.

"That, in the opinion of your memorialists, no effectual remedy for the evils existing in the monetary affairs of this country can be pointed out, short of the repeal of the various acts to which these evils can be clearly traced; and your memorialists would therefore most humbly, yet most earnestly, press upon your attention the necessity of immediately suspending the operation of these laws, with a view to their entire repeal on the meeting of Parliament.

"May it therefore please your Lordships and her Majesty's Government to take these premises into consideration, and to suspend, with a view to their repeal, the various laws recently enacted for regulating and controlling the business of banking in Great Britain and Ireland, or to do therein as to your wisdom may seem best for relieving the country from the present unparalleled condition of commercial inconvenience, embarrassment, and loss."

(From "The Witness" of December 5, 1855.)

"The love of money is the root of all evil."

NEVER were truer words recorded, and never were they more applicable than at the present time. The oppression exercised by means of a remorseless clause inserted in an act of Parliament in 1844, to make money dear and rich men richer, cannot well be over-estimated, nor the danger to which the obstinate adherence to its operation exposes the country exaggerated. Lord Ashburton, in writing of the effects of this act in 1847, says:—"The Bank, with its ten millions left in its coffers, need have disturbed no interests, or disturbed them slightly. But the Directors had no power to exercise any opinion; the *rigid Parliamentary machine* was to think and act for them; the whole country was disordered; and it would be difficult to form any estimate of the immense losses, both of the Exchequer and of individuals, which ensued." The state of matters is at present much the same as it was then, with this difference, that panic has not yet arisen, and that opportunity is still allowed for adjusting matters by giving timely relief, so that the terrible sufferings of 1847 may be prevented.

The extent to which the pressure on commerce has already gone is very great indeed. Few, we believe, have any conception of it, otherwise the marvel would be that it has been borne so patiently. The pressure is exercised by demanding a high rate of interest for the discount of commercial bills. At present, "three months' bills cannot be done under 7 per cent., and for those at longer dates, 8 and 8½ is exacted;" and we have heard of 10 or 12 per cent. being demanded. And yet trade is large and healthy, and nothing of a hazardous nature is going forward,—nothing to call for such extraordinary rates of discount. But it may be supposed that this is of a limited nature, and, though it may be hard on some individuals, cannot seriously affect the condition of the country. To what extent, then, are discounts required in the ordinary and healthy state of commercial business? First, Let us look to the amount discounted by the Bank of England in the month of October 1847,—that fearful month when the pressure was at its worst, when discount throughout the country could hardly be obtained on any terms, and when, in consequence, business was seriously interfered with. Take, for example, an extract from a letter from a Manchester house declining a large order:—"No purchases can be made except for hard cash; universal distrust prevails. . . . Although there are numerous orders in town from America, Greece, and other countries, and although manufacturers are holding large stocks at an enormous sacrifice, and are obliged to stop their works, and throw their hands out of employment, they prefer to do so rather than *sell for bills which they cannot discount.*" During that month of October 1847, the Bank of England discounted bills to the ex-

tent of £6,196,928. Here, then, was betwixt six and seven millions of good commercial paper done at a high rate of interest, nearly three quarters of a million of which was done at 9 per cent. Here was accommodation to a large extent, but at a rate of interest which must have been all but ruinous to a wholesale trade, the profits on which are ordinarily very small. Well, but what came of the trade which could not get discounts on any terms? In such cases as that we have quoted, business was declined, and instead of selling goods with a profit, these were in many cases kept on hand with a loss; and in the case of those who could not lie out of their money, the *Gazette* told the melancholy tale, and thousands were ruined *solely to maintain the restrictive clauses* of the Money Act of 1844.

But, secondly, we must take a wider view of trade and its extents, in order that we may have a better understanding of the fearful effects of the obstinate adherence to these restrictive clauses of the Act 1844, and of the injury which may be occasioned by the determination of Government not to comply with the requests which have been made for their removal or suspension. What, then, is the amount to which discount is required in ordinary times,—the healthiest and best times of the commerce of the country? We answer, that at all times ONE HUNDRED MILLIONS sterling are required in discounts. We say £100,000,000 of money is rather a low estimate of the amount at *all times* under discount. It has been estimated much higher, but we prefer understating the case. When we state this enormous amount, however, some may be rather incredulous, and others regard the statement as fabulous. For their information we would refer to an admirable paper read before the Statistical Society of London, by William Newmarch, Esq., on the 22d April and 20th May 1850, and published in its journal for May 1851, where they will find, along with a full account of the amount of discount, and the sources from which the money is derived,—a statement of the bases and elements of calculation, which show that the examination was conducted on the soundest principles, and with the utmost caution. So carefully, indeed, does the whole seem to have been conducted, that the most implicit confidence may be placed in the conclusions at which Mr Newmarch arrived. As an illustration of how a sum so large is distributed over the kingdom, we may quote his Seventh table, being the total *average* amount of bills in circulation at one time during the years 1843-46:—

In Scotland (Inland Bills),	£18,000,000
In Lancashire,	12,000,000
In rest of England,	70,000,000
Foreign Bills,	16,000,000
	£116,000,000

It may be asked, How much of this is *not* discounted? Mr Newmarch's estimate of the amount is given in his Eighth table. Thus,—

In Scotland (Inland Bills), ...	L.15,000,000
In Lancashire, ...	12,000,000
In rest of England, ...	60,000,000
Foreign Bills, ...	13,000,000
Total under discount at one time, ...	L.100,000,000
Leaving as the amount of bills and notes not discounted by the holders of them, ...	16,000,000
Total Bills in circulation, ...	L.116,000,000
The L.16,000,000 not discounted he estimates to be,—	
In Scotland (Inland Bills), ...	L.3,000,000
In Lancashire, ...	
In rest of England	10,000,000
Foreign Bills, ...	3,000,000
Total bills not discounted, ...	L.16,000,000

Mr Leatham, an eminent banker of Wakefield and Pontefract, had at a previous period made a similar investigation, and came to somewhat similar results. One point of difference may be shortly referred to. Mr Leatham held the average *usance* of bills to be three months. Mr Newmarch thinks there is good reason for regarding it as four months rather than three, and shows how this would increase the amount very considerably. If, for example, he says, the total amount of bills *created* in a given year, say 1847, was L.500,000,000, then, according to Mr Leatham's three months, the average would be L.125,000,000, but, according to Mr Newmarch's four months, it would be L.166,666,666, or forty-one and a half millions more. Take it in any way, the sum is enormous; and, it may be asked, how is it provided? We omit Mr Newmarch's details, and give simply the conclusion at which he arrives.

"We may say therefore that, as far as we see at present, the whole of the fund constantly employed in the money market of London is composed as follows:—

London bankers, ...	L.64,000,000
Deposits of Assurance Companies and others, ...	10,000,000
Bank of England, ...	36,000,000
Country funds, ...	30,000,000
	L.140,000,000

The per centage proportions he thus states:—

"The following figures will represent the *per centage* proportions of the several constituent elements of the L.140,000,000:—

	Per Cent.
London bankers, ...	45.71
Assurance Companies, &c., ...	7.14
Bank of England, ...	25.71
Country funds, ...	21.44
	100.00

"Further, continuing our assumption that the amount of bills of exchange constantly under discount at one time is L.100,000,000, the following figures will represent the *per centage* proportions of that sum furnished from the various quarters. Thus,—

Bills under Discount.	Per Cent.	Per Cent.
In Scotland, ...	10	
England,—except London, ...	12	22
In London,—With country funds, ...	30	
By Bank of England, ...	5	
With London funds, ...	43	78
		100

These may suffice to show the amount constantly under discount, and the wide-spread ramifications of our commercial system; while a little reflection will satisfy every one of the injurious effects which a very high rate of interest must produce over the entire country. The pressure extends to every portion of the country, and to every branch of trade; and, if not soon relieved, will depress, and, it may be, paralyze, its most important departments. But we must forbear; and meanwhile would request our readers to consider how long the country may be expected to bear up under such a pressure.

(From "The Witness" of December 8, 1855.)

In the observations on this important subject, in our last paper, we pointed out the very extensive and injurious effects of the pressure presently existing on commerce. At least ONE HUNDRED MILLIONS of money employed in commercial operations are injuriously affected by the high rate of interest exacted by the Bank of England on its advances, and, as a consequence, by all other money-lenders, whether bankers or not, throughout the kingdom. The hundred millions to which we have referred are in the form of bills of exchange, which may be regarded as *cheques* drawn against commodities which are in course of transit to the consumer, and out of the sale of which the bill of exchange is in due time to be liquidated. While, however, these are in transit, the holder of the bill, being in other words the holder of floating capital in what Newmarch calls an *unready* state, discounts the bill, that he may possess himself of a portion of the floating capital of the country in its *ready* form, and so employ it to advantage while the bill is advancing to maturity. Thus, while the holder of the bill is benefited, the holder of the ready money is equally benefited; and so long as the sum demanded for the temporary use of the money does not exceed the profit made by the discount, things go on very much to the advantage of all concerned. Trade goes on smoothly,—manufactures are carried on without difficulty,

—the workman receives his share of the profit in the wages which reward his skill and labour,—the £140,000,000 forming the money fund of London finds profitable employment,—and the general interests of the country are advanced. But as, in order to have healthy, flourishing trade, the whole must be in constant motion, coin and bank notes come into play, as the small change by which this is effected:—"Coin is the small change of bank notes—bank notes the small change of cheques—cheques the small change of bills of exchange—and bills of exchange the small change of transactions of barter, the record of which is contained in a ledger, and the adjustment of which is accomplished mainly by the process of set-off: that, in point of fact, *cheques are bank notes drawn against the deposits, and bills of exchange are cheques drawn against commodities.*" The facility or the difficulty, therefore, of obtaining the "small change" becomes an important element in the commerce of the country; and it is because at this moment the *small change* is somewhat difficult to come by that the whole embarrassment has arisen; and it is because the Money Act of 1844 *increases*, or, we would be more correct were we to say, *causes* this difficulty, that we denounce it as injurious to trade, and ruinous to the country.

But how does this Act operate so as to cause such injurious results? The answer is a very simple one. Bank notes are the small change of cheques, and, as such, are absolutely necessary in the commercial system. But this Act interferes by making the supply of these notes dependent, not on the business of the country, for which, and for which alone, they are required, but on the demand which may exist in foreign countries for gold. Now, it would be somewhat difficult for an unprejudiced person to comprehend what a demand for gold, say in France, has to do with the internal transactions of this country; and why, when France or any other country wishes to obtain gold, and is willing to pay for it, a merchant at home should be deprived of the *small change* which is essential for conducting his home trade,—why, in short, the export of bullion should be made the cause of a contraction of bank notes. But so it is; for every sovereign sent abroad, the Act of 1844 compels a similar value to be withdrawn from the home circulation. Hence the export of gold, which in ordinary circumstances would be a source of profit, becomes an evil of a serious nature, and, if extensive, soon brings the country to the brink of ruin; and yet, in the words of the late Sir Robert Peel, "Gold will not leave this country unless gold be dearer in some other country than in this. It will not leave this country merely because it is gold, nor while there is any article of produce or manufacture which can be exported in exchange for foreign produce with a more profitable return."

Were the present demand for gold owing merely to a diminution of purchases by foreigners in our markets, or to an increase of purchases abroad by British merchants, it would soon be satisfied were no obstacle thrown in the way; but gold may be required for other reasons, and at

present it is so. War demands its export; loans guaranteed by this country demand it; and a supply of food for the people demands it. Nay, other countries demand it, and hence, gold "becoming dearer in some other country than this," finds it way to it as naturally as water from a fountain finds its way to its resting-place in the sea, where, however, it rests only for a brief season. "All the rivers run into the sea, yet the sea is not full; unto the place whence the rivers come, thither they return again." So it is with the ordinary circulation of business; and the export of gold might be made a profitable branch of trade, were it not for the absurd restrictions of our own laws. Their professed object is to secure the convertibility of the note; but that it does not, and indeed cannot do. The circulation during the present week amounts to £19,075,085; but of this, no less than fourteen millions are issued upon *securities*; and hence, were these fourteen millions brought to the Bank, the holders would ask in vain for gold; and where are the securities on which the notes were issued? They are already disposed of. The nation has eaten them up, at least £11,000,000 of them; and the individual holders of the notes must be contented to know, that nothing is left for them but to take care of their notes till it is convenient for the country to pay them. "They can't both eat their cake and have their cake." The remaining £5,075,085 of notes are treated very differently; for, to secure their payment, no less than £10,580,570 of gold are locked up in the coffers of the Bank. But is the gold one whit more available for these notes than for the others? Not so. They would rank *pari passu*, and would not be preferable, in the event of bankruptcy, to the deposits which had been placed in the Bank.

Our limits will not permit us at present to enlarge. We may say, however, that the circulation does not differ so much at one time from another as to be with propriety called large at the one and small at the other. On the contrary, the difference is not great. The circulation remains on the whole steady. In August 1844, the amount of notes of the Bank of England in circulation was £20,448,000, and from that period until May 1847 it did not differ more than a million up or down; but in May of that eventful year it fell to £18,662,000, in June to £17,968,000, rising again in July to £18,973,000, falling in September to £17,841,000, and rising in October to £20,318,000 on the 23d, when the restriction was greatest,—the same day as the deputation of London bankers waited on the Premier,—and falling on 18th December, when all restriction had been for two months removed, to £17,758,000. It was in the amount of notes *not* issued to the public that the variation was greatest. In August 1844 these amounted to £7,732,000, in December of that year to £9,077,000, in March 1845 to £9,740,000, while in November of that year they fell to £5,220,000, rising again in March 1846 to £8,034,000, in June to £9,664,000, varying from £7,000,000 to £9,000,000 till January 1847, when they fell to £5,704,000, and in April to £2,558,000, rising again in June to £5,628,000, and falling in October to £1,170,000!

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Here indeed is the pinch. It is not in the notes actually in circulation that the danger consists,—these may be many or few, according to the necessities of trade,—but in the reserve held by the Bank that the danger lies: when that is abundant, then everything is easy. The “small change” of cheques is then available. The Bank is able to discount freely according to the circumstances; merchants can then get at the ready capital they require; the door is open. But when the reserve is diminished, then in proportion as that takes place is the Bank compelled, for its own safety, to refuse discounts, which it does by raising the interest. It shuts the door on commerce, and the merchant and his bills cannot get through. Indeed, just in proportion to the available *ready* capital of the Bank, so is the freedom or difficulty of trade. In April, when the reserve fell to £2,558,000, there was difficulty; and interest, which in 1844 varied from $2\frac{1}{4}$ to 3 per cent., and in 1845–6 from 3 to 5, in 1847 varied from 4 to $9\frac{1}{2}$ per cent.—in April having reached 7, and in October $9\frac{1}{2}$ per cent. Here, again we say, is the pinch. It is not in the active circulation, but in the reserve, or, in other words, the *stock in trade of the Bank*,—that without which it cannot carry on its business. In October 1847 that had fallen to little more than one million, and of that million about one-half was out at the branch banks, so that in the Bank of England there was only about half a million of available capital, and one single cheque might have taken it all, and closed the doors of that, to the country, invaluable establishment, and then where would have been the convertibility of its notes? The alternations during this present season of 1855 have been still more remarkable. Thus, while the notes in circulation varied little, on 6th July amounting to £20,165,565, and on 26th October to £20,371,745, the amount of reserve, or notes *not* issued to the public, on 29th June were £11,139,525, but on 26th October they had fallen to £4,319,484,—a fall occasioned indisputably by the operation of the Act 1844,—the unavoidable result of which again was the inability of the Bank to discount freely, the rise of interest, and all the commercial difficulties of the country.

Had the Bank been required to provide gold for notes in *actual circulation* only, that is, for those which were issued to, and consequently in the *hands* of the public, and not also for those which were lying in their own till, then at that time, 23d October 1847, the notes in circulation being £20,318,000,—£14,000,000 of which were allowed on securities, there would still have been £2,000,000 of gold *free* for any purpose, whereas there was none. It was locked up firm and fast. At the present moment, the circulation being £19,075,085, there would be £5,503,485 of gold free for any purpose,—an amount more than sufficient to supply present demands, to regulate foreign exchanges, and to quiet the country. But the Act of 1844 stands in the way, and peremptorily says,—No.

(From “*The Witness*” of December 10, 1855.)

THE effect of the Act 1844, in compelling the Bank of England to retain in its coffers gold, not only for the notes *it* issues to the public, but also for those which it *retains* in its *own coffers*, has been most injurious. Had the operation of the Act been restricted to the notes actually issued to the public, as these are ascertained and published weekly, then the avowed intentions of the framers would have been complied with. £14,000,000 would have been issued on securities, and the remainder would have rested on gold. Such is the mode of dealing with every other bank in the country. All these are permitted to continue an issue of notes to the average amount of their previous circulation, and, for any issue beyond that, they are required to provide gold. Such is the case with the Scotch banks; and hence the quantity of gold now held by them; but the absurdity of compelling them to keep gold in their coffers for whatever amount of manufactured notes they may have in their till *not issued* to the public, was not enacted, and thus three great evils are avoided:—*First*, The amount of their unissued notes—their *stock in trade*—is not published, and no one knows what its amount may be. Every one knows or believes that there is abundance of the “small change of cheques” on hand; and hence no one is under any apprehension that he will not be able to change his cheque, or discount his bill, from a real deficiency of the manufactured paper. But with the Bank of England this is proclaimed to the world. Every one may know whether the Bank has or has not enough by simply looking at the weekly statement, and at the line in the Banking Department which tells the amount of notes in its possession. These are the *unissued notes*; and sad experience has shown that when these fall below six millions, the Bank begins to experience a difficulty in carrying on its business, and is obliged to raise its rate of interest to secure itself. Should the amount fall much below that, their difficulty must increase in proportion to the fall; and if this fall continues, the difficulty must continue to increase till it amounts to impossibility, when the machine, from mere exhaustion, must cease to act, and death from pure inanition occur. This inanition arises from two causes;—*first*, from the withdrawal of notes in consequence of a drain of gold; and next, from parties holding the notes, and having full confidence in the solvency of the Bank, hoarding them up, lest they should not be able to obtain them when they need them for payment of rents, bills, &c. This was abundantly manifest in 1847. The circulation, which appeared quite as great in October as in June, having fallen, in about two months after, nearly three millions sterling, notwithstanding the liberal discounts of the Bank, after the celebrated letter of the 25th of that month, by which it was set free from the fetters of the law of 1844. Parties holding the notes in answer to cheques, or collected in the course of business, returned them

freely to the Bank so soon as they found they could get them whenever they required them. This, then, is the first evil occasioned by this law,—an evil which not only affects the Bank by proclaiming to the world its riches or its poverty, but also aggravates the pressure, by inducing those who would otherwise in course of business return the notes to the Bank, to keep them back, for their own safety, to meet their payments. The second great evil avoided is,—no temptation is given to force into the market more than the ordinary business of the country requires, and thus to encourage speculation. In the case of the Bank of England, on the other hand, the increase of notes in the banking department being always dependent on an accumulation of bullion in the issue department, a great temptation is thus given to get that unprofitable bullion which is just unemployed capital into circulation; and hence a reduction of the rate of interest, which, if successful, stimulates beyond the natural demand, only to cause a more severe revulsion when it becomes necessary again to raise interest on advances. The third great evil avoided is, that our Scotch banks are not compelled to keep gold in one pocket in equal value to the notes they may have lying idle in another pocket. It is bad enough that they are compelled to keep about L.2,000,000 of gold, for which, in truth, they have no use, and from which they derive no profit, but, on the contrary, are compelled to make charges on their customers they were not wont to make, and thus to add to the burdens of commerce in Scotland to a large extent, merely to fulfil the requirements of the law of 1844; but had they been placed in the same position with the Bank of England, instead of two, probably four or five millions of gold might have been required; and had it been so, the panic and loss of 1847 had long ere this been repeated, and repeated with fearful aggravation.

The division, then, of the Bank of England into two departments, an issue and a banking, has been the immediate cause of all the disasters; and one very simple method of relieving the Bank, and through it the country, without in any way touching the principle, so much in vogue at this day, of resting on a basis of solid gold any issue beyond the L.14,000,000 allowed by law, would be to abolish that portion of the law which requires gold to be deposited in one *pocket* for notes kept in another, and to compel the Bank merely to keep gold for the amount of their notes *actually issued* to the public, as these may be ascertained by the weekly statement. This we have shown would at once set free at this present moment no less than L.5,505,485 of gold,—an amount, we said, “more than sufficient to supply present demands, to regulate foreign exchanges,” and to “quiet the country.”

Another way of relieving the Bank and the country, without in the least impinging on the gold principle, would be to extend the basis on which the Bank is permitted to issue, without retaining gold to meet the notes so issued. The amount was fixed at L.14,000,000 in 1844, and there can be no doubt entertained in any quarter that this sum would now require to be enlarged. From 1832 to 1840 the amount of circula-

tion varied from L.17,000,000 to L.19,000,000, frequently falling below the former, the lowest being L.15,714,200 in December 1840, and once, and only once, reaching L.20,249,400 in July 1838. From 1840 to the present day, it varied from L.16,446,000 in December 1840 (the lowest), to L.24,561,000 in September 1853 (the highest). From 1850 to 1854, the quarterly averages of the circulation generally ranged from L.21,000,000 to L.24,000,000, never falling below L.20,000,000. But let us look next to the amount issued by country banks in England. That in June 1844 amounted to L.8,408,161, making the total note circulation of England and Wales for that month L.29,042,161. Since then, however, no fewer than forty-five of these banks have ceased to issue their own notes, and a circulation of L.698,325 has thus been withdrawn from the public, which would have left a country circulation of L.7,809,836, had no other causes been in operation; but that circulation has fallen to a greater extent, and the average of 1854 amounted only to L.6,732,270, which, added to the average of the Bank of England, makes the total note circulation of England and Wales L.28,061,270, or about L.1,000,000 less than in 1844.

Has this been occasioned by a diminution of business? The internal business of the country and the state of the exports will show. The total declared value of British and Irish produce exported to all quarters was in 1844, L.58,534,705, and in 1853, (the last yet published) L.98,933,781,—an increase of upwards of forty millions sterling. The total amount of shipping entered and cleared, with cargoes and in ballast, in 1844, was 10,346,769 tons, and in 1854, 18,669,087 tons; while those entered and cleared, with *cargoes only*, in 1844, were 7,911,400 tons; while in 1854 they amounted to 15,770,278 tons, or more than double. All this indicates greater briskness of trade, and would require a larger circulation; and accordingly, in 1852-53, when money was easy and interest low, it was larger than at the present time, when money is tight and interest high. We do not, then, wonder much that an Order in Council has appeared, authorizing the Bank to issue L.475,000 of additional notes on securities, probably to supply the void occasioned by so many of the country banks giving up the issue of their notes. This is certainly a step in the right direction, and we hail it as an omen for good. In the black-hole of Calcutta a single mouthful of fresh air would have been most thankfully received, but it would have required something more to save the sufferers from death; and the Order in Council will only prove a partial and temporary relief. An extension of the authority from L.475,000 to L.5,000,000 or L.6,000,000, would, however, effectually relieve the home trade, while any farther issue, being based on gold, would continue to secure the convertibility of the note, just as at present; and thus, without endangering any one interest, commerce might be relieved from the fetters which now bind and curtail its every operation.

We would therefore respectfully suggest for the consideration of the Chancellor of the Exchequer the propriety of altering the Act 1844, so

as either to compel the Bank to provide gold *only* for the notes it actually issues to the public, as stated in the weekly returns, and which *alone* the public can ever demand, or to extend the basis of securities on which the Bank may issue from L.14,000,000, which might have been enough years ago, to L.20,000,000, which are certainly required now to enable the *home trade* to move freely and profitably for all concerned; and this we may urge from various considerations. The home circulation, it is universally admitted, does not require the holding of gold. One writer, who has kindly taken upon himself the task of instructing the Chamber,—and thanks to every one who brings a contribution to the elucidation of this question, however small the modicum may be,—says, that in buying or selling among ourselves, “we may use anything as a standard of value or currency in which they all have confidence, no matter whether it be *paper, gold, or coëtries*.” The *Times* itself, the organ of the bullionists, has said,—“Supposing the circulation to be required solely for internal commerce, no necessity could exist for gold being held against any portion of it, a deposit of Government stock, or the fact of its being received, for duties would at all times keep it from fluctuation in value.” And this is all we demand; and no one has said, no one can say, and no one ever will say, that for our *home circulation* anything more is required than that which commands confidence among ourselves, and that is easily procured. Bank of England notes command confidence over all the country; the notes of the Scottish banks command the entire confidence of Scotland; and both these enjoy the confidence they possess, not because the mass of notes which they issue to the public can at any one time be converted into gold, but because as many of them as are ever required in the course of business can be so, and because they really are of the full value they bear upon the face of them, for every one knows that, should even a bankruptcy occur, the effects belonging to the Banks would pay more than 20s. per pound to every holder of their paper. The notes pass from hand to hand without hesitation or challenge of any kind, perfect confidence prevails, and the country prospers. What then does the Chamber want? In its own words, “free competition in banking, a numerous proprietary, unlimited responsibility, and a paper currency convertible into silver or gold on demand,” would satisfy the Chamber, would benefit the country, and secure commerce against those fearful catastrophes which have unfortunately been too frequent. To demand gold for every note that is issued would be a vain demand. To expect it, a “delusion, a mockery, and a snare.”

(From “*The Witness*” of December 28, 1855.)

In preceding papers we have endeavoured to point out the causes of the present tightness in the money market, and suggested also some remedies for its relief,—especially two; the one to abolish the division of the

Bank into two departments,—the issue and the banking: this would relieve the Bank from keeping gold for notes never issued to the public, and thus set free several millions sterling of gold. The other to allow the Bank to increase the issue of notes on securities from L.14,000,000 to L.20,000,000. This would enable the Bank to issue nearly a sufficient number of notes to supply the “small change of cheques” for all the commerce of the country, and thus to keep it going steadily, without labouring under oppression and fear of total stoppage on the one hand, or an unhealthy excitement tending to speculation on the other. These suggestions were intended merely for relief of the present distress,—a distress so great as to be injuring commerce in its every department, and demanding, as with a voice of thunder, its immediate relief. To a certain extent the voice has been heard, and relief, with a feeble and trembling hand, extended. Under the provisions of the Act 1844 itself, L.475,000 have been added to the circulation; and so far the demand has been complied with; but when it is remembered that ONE HUNDRED MILLIONS of money at least are constantly under discount in the way of ordinary trade, in commerce and manufactures, and that any difficulty thrown in the way of obtaining these discounts affects every branch of trade throughout the entire country, the amount of injury inflicted may be conceived, though it cannot be described. When such pressure has been occasioned by causes beyond the control of man, submission is felt to be a duty; but when it has been caused by the acts of our rulers, curses both loud and deep may be expected to arise from the sufferers groaning under undeserved oppression, and danger to the body politic looms in the distance. It is well if it comes not near; in 1847 it was near, very near. Had the operation of the *Bank Charter Act* not been suspended, dangers of a very terrible kind, which we like not even to contemplate, were at hand. Ruin stared the country in the face, and was not altogether averted.

Now, however, it is supposed by some that the crisis is over,—the difficulty has been tidied over for the present,—and the Bank Charter Act has not been so injurious as in 1847. Well, the fact of the crisis being over is at least a disputable one. Were we to say it is not true, we would state what we believe. It is not over. The drain of gold has not ceased,—the amount of gold in the Issue Department of the Bank is stated in the last return (21st December) at L.10,062,985; while on 2d November, when the pressure on commerce was the most severe, the gold stood at L.10,698,469, or upwards of L.30,000 more than now, and that notwithstanding all that has since then arrived from Australia. The amount of notes in the till of the Bank has, indeed, increased from L.4,202,560 on 2d November, to L.6,556,625 on 21st December; but this increase, amounting to L.2,294,865, or, deducting the L.475,000 recently authorized, to L.1,819,065, has manifestly been caused by the stringency of the Bank in its discounts, and not by an increase of gold. The Act 1844 remains in full force, and the pressure is as intense; no

symptom of mitigation has yet appeared; no reduction in the rate of interest has been announced; but, on the contrary, fears may be justly entertained that it has not yet reached its maximum. It was only on Saturday last that the Scotch banks announced an increase of the rate of interest allowed on deposits to 3½ per cent. This would not have been done had there appeared an early prospect of relief to the country, or an early termination of the present crisis.

But look we for a moment at the cost of the present struggle. One hundred millions of money,—that without which the business of the country would be at a stand,—the whole employed in legitimate and otherwise healthy commerce, subjected to such a pressure as at present exists, costs those employing it a sum so great as to destroy in many cases the whole profits of the trade, and to cause to all a great diminution of profit, and so to render them less able to bear the burdens which the revenue demands, and which the war necessarily aggravates. It is not too much to say that several millions have thus been lost to commerce,—not lost to the money-lenders,—not lost to the millionaires who framed the Act 1844, as it would appear, to make the rich richer, and the poor poorer. This loss to commerce continues as great as ever; and yet Government with a degree of simplicity almost infantine, seems to expect an *income-tax* as abundant in its produce as when trade flourished and the country prospered. Can the merchants who are now paying 5, 5½, 6, 7, or even 8 per cent. make as good a return to the tax surveyor as if they had only paid 3 to 4 per cent.? And when these merchants come to know that this straitness is *altogether artificial*, occasioned, not by a want of money,—not by speculation,—but solely by the operation of our own money laws, they will not readily tax themselves a second time to supply the wants of the State, which has already taxed them so severely, simply to fill the pockets, already overflowing, of the bullionists.

In ancient times the powerful barons were wont to supply their wants, and to fill their coffers, by a little gentle coercion,—the stretching on a rack, for example, or some such other *gentle* persuaders. Nay, royalty itself has not deemed it unworthy of its dignity to extract the teeth of an unhappy Jew, whose only fault was that he was rich. In the present times the plan is much simpler, and less repulsive in its aspect. The Money Act of 1844 has answered quite as well; and the repeal of the usury laws has enabled the money-holders to extract what amount of interest they think proper from the trader, who must either have in abundance the “small change of cheques,” or abandon business altogether. And, as already pointed out, this has been accomplished by making the *home circulation* dependent on the foreign, so that when gold is exported, the “small change of cheques” is withdrawn, and commerce at home, checked in its healthy progress, becomes stunted, or, if it cannot bear the pressure, gives way under it, and bankruptcy, as in 1847, spreads abroad. Truly, the money-screw has exerted a power greater far than the baron's rack or the royal dentist's tooth-key.

The time appears to have come for decided measures: few, if any, uphold the present state. Those who have paid but little attention to the subject hitherto, begin to see that *scar and the present system cannot co-exist* for any great length of time, and hence a more wide-spread movement is taking place. In 1847 the Chamber sounded the alarm, but few responded to the call. Now the movement is nearly universal; few, if any, contend for unmitigated oppression. Some, indeed, have of late done so, as in the letters of “Mercator.” The Bank Charter Act is still lauded and upheld in all its stringency. It is, in one sense, refreshing to look upon articles such as these: the arguments, statements, opinions, &c., are served up quite as fresh as when the bullionists, and Mr Jones Loyd at their head, first advocated the principles of restriction. But the race is becoming extinct, and one looks upon these much as an antiquary looks upon some old coin bearing the impress of some ancient sovereign who ruled with a rod of iron, or a geologist on some newly-found fossil, exhibiting in its substance the very body of some ravenous fish preserved in stone. The day for the principles of restriction and monopoly are past. The same statesman who made them fast in the case of gold, annihilated them in regard to wheat, and thereby secured to himself a lasting fame. It remains now only to do the same in regard to gold; and he who accomplishes this will put the cope-stone on the edifice founded by the late Sir Robert Peel, and to which, from year to year, he added largely, so much so, indeed, that little remains to be done. Free Trade is all but triumphant; and when gold is freed from its fetters, monopoly and restriction are gone.

But what is gold, and why should it be so restricted? why confined in its course, why accumulated in masses, and why such desperate efforts made to retain it,—efforts imperilling the very existence of the State? Misers have been observed to grasp it firmly in their dying hands. Trapbois presents them vividly before our eyes; and “It is mine, it is mine,—he gave it me for a consideration,—I will die ere I part with my property,”—will never be forgotten by those who have read the “Fortunes of Nigel.” Will Government adhere with the same desperate tenacity to the gold restriction clauses of the Act of 1844? Nay, rather, will they not calmly consider the whole question, carry out the principles of Free Trade to their legitimate issue, and base the small “change of cheques” on something of which they can take a firmer grasp, and which will not fail them in the time of their utmost need? But we ask again, what is gold? We say, first, that it is a metal. This seems to have been entirely forgotten; nevertheless it is so, and is distinguished by its pure yellow colour, high metallic lustre, and great density; and it has other valuable qualities. It is the most ductile and malleable of all metals; no single acid dissolves it, and the oxygen of the air has no effect upon it; and hence its permanency in all situations, and under almost all circumstances. So difficult, indeed, is it to get the better of it, that the

feat of Moses, when he ground the golden calf to powder, and made the children of Israel to drink of it, remains a wonder to this day.

These many useful qualities have given to gold in all ages a high value in the estimation of man. The ancient patriarchs, whose wealth consisted chiefly of sheep, camels, oxen, and other animals, had yet a fair modicum of gold. Occasionally, too, it has been accumulated in stores so abundant, that the treasures of the Bank of England cannot compare with them. The 3000 talents treasured up by King David for the building of the Temple, and the 5000 talents and 10,000 drams presented by the princes for the same purpose, indicate an abundance of gold of which we can scarcely form a conception, while the 200 targets and 300 shields of beaten gold, made by Solomon for his guards, indicate a superfluity at which we can but wonder. All this gold was obtained in the way of fair and ordinary commerce, of Free Trade in short, for the king's ships went to Tarshish, while these again returned, bringing gold as part of their cargo. Nor has gold ever ceased to hold a high place as an article of traffic, and most justly so; but then gold was kept in its proper place. It was made the servant, not the lord, of man. But we must for the present pause.

(From "The Witness" of January 5, 1856.)

THE crisis, say some, is over. We said no; and in proof adduced the fact that the drain of gold continued, the bullion being actually L.30,000 less on 21st December than on 2d November, when the pressure of the screw was most severe. Two weeks more have passed, the drain continues unabated, and the stock of bullion in the Issue Department has fallen from L.10,662,985 on the 21st December, to L.10,189,465 on the 3d January, or L.473,520 less than on the 21st ult., and L.510,004 less than on 2d November; and though the notes in reserve (the stock on hand) keep up to L.5,963,850, that, so far from indicating the healthy state which in ordinary circumstances it would do, tells only the intensity of the pressure. It shows that the active circulation has by sheer force of the screw,—the restricting clauses of the Act 1844,—been reduced to L.18,700,615,—a lower ebb than the circulation has experienced since the year 1842; and in that year, at the same period of the year, the month of December, it amounted to L.19,230,000. In 1847 the lowest point to which it fell was L.19,311,000, and that disastrous year passed over without producing so great a diminution of the active circulation, the "small change of cheques," as at present. The active circulation now is between two and three millions less than at the same period of last year, about five millions less than at the same period of 1853, and about three millions less than in 1844, when the Act was passed. In sober earnest we would again ask, how long is this pressure to last,—how

long can the country bear up under it? We ventured to recommend an extension of the issue of notes on securities from L.14,000,000 to L.20,000,000. We are glad to find some of our contemporaries giving a similar recommendation, and that there is some prospect of a general concurrence in the propriety of such relief. When public opinion has become sufficiently strong, it will compel it to be given; but we would urge the Government, which has taken one feeble step in the right direction, to take another more decided, while yet it is in their power to avert the threatened evil. The Act 1844 has failed,—utterly and entirely failed,—to arrest the drain of gold. The returns now published of the vast export of the precious metals prove its failure, while the places to which, and the objects for which, they have been exported, prove to demonstration that the drain must continue unchecked by anything but a vastly increased import from Australia. The difference which has arisen in the relative value of gold and silver has caused the silver to be bought up greedily for export; and France, which formerly coined about L.5,000,000 of silver and L.40,000 of gold, has during the past year coined about L.14,000,000 of gold and only about L.30,000 of silver.* What can the Act of 1844 do to arrest such drains as these? It is as powerless as the corn laws were to arrest the rains of heaven and the genial influences of the sun. These laws were fought for with all the desperation of a dying yet powerful party, and were repealed when they could no longer be retained, save at the risk of the country's peace. We would fain hope that a safer course will be pursued now.

* The following table, taken from the *Calcutta Mercury* of 14th January, appeared a few days after the above was written, and shows more fully the amount of gold and silver coined in France in each of the last seven years:—

COINAGE IN THE MINT OF PARIS.

	Value of Gold.	Value of Silver.
1849	L.1,080,000	... L.7,360,000
1850	4,600,000	... 3,120,000
1851	9,600,000	... 2,360,000
1852	1,040,000	... 2,840,000
1853	13,200,000	... 860,000
1854	20,480,000	... 80,000
1855* (estimated)	18,000,000	... 250,000

Thus we find that whereas the coinage of silver in 1849, the last year before the gold discoveries, was L.7,360,000, and of gold only L.1,080,000, the coinage in the last two years has amounted to L.38,480,000 of gold, and of silver only L.360,000. This table also shows the remarkable fact that the French Mint, in the last three years, has coined no less than L.51,680,000 of gold, and only L.1,160,000 of silver—thus proving to what an extraordinary extent the one metal has displaced the other.

* The accounts for 1855 are not yet completed.

(From "The Witness" of January 9, 1856.)

To return to the question, What is gold? We repeat that it is a metal possessed of many valuable properties, which have made it at all times an object of desire to man. In ancient and modern times it has been alike sought after; while its comparative rarity, and the cost of procuring it, have enhanced its value, and at the same time kept that value pretty much the same, so that, as a measure of the value of other commodities, its importance can scarcely be overrated. Silver is the only other metal which has divided with it the empire of trade. They are called noble metals, for they are the aristocracy of their class. They rank high in themselves, in their own intrinsic value, and they have been magnified greatly beyond it by man; nor is it much to be wondered at that some have regarded them as the only solid basis upon which any enduring structure can be reared, and that, in this commercial country, where everything is changing, gold has been held by some, and those of sufficient influence to guide the Legislature, to be the only safeguard of the country,—the only security for its wealth. Well, what then is gold? To answer this question, we must view gold in two different lights,—as a Commodity, and as a Standard of value. As a commodity, it stands on the same footing as any other metal. It is, like them, taken out of the ground by the labour of man, forms one of the articles of commerce, and will exchange at one time for more and at another for less of other articles; or, in other words, its price may rise or fall according to circumstances, which it has no more power to control than any other metal, and hence its value may be greater at one time than another. But "value is relative: it is impossible even to express the value of one commodity without making reference to some other commodity in which that value is estimated;" and both must be estimated by the labour necessary to produce them. When two commodities have thus been weighed against each other, and their relative value ascertained, they may then be exchanged, the one for the other, and this constitutes barter; but it may not be convenient for the party holding the one to receive in exchange what the other has, and this leads to a more complicated traffic. A may not wish what B has, but C may; and B, having exchanged with C, may have obtained something which he can then exchange with A; and this, in fact, is the way in which the commerce of the world is carried on, save in so far as nations, either from short-sighted views of their own interest, or from motives of policy, interfere with the freedom of man, either by direct prohibition, or the imposition of heavy duties on the imports of other nations,—a course which has been but too common and too injurious to the whole human family,—a course the evil of which was clearly pointed out in a series of admirable propositions submitted to Parliament by the Chamber five-and-thirty years ago, at a time when the wisdom of such prohibitory laws was held

to have been fully established,—at all events was maintained by the British Government, followed by almost all the commercial countries of the earth, but then questioned by the Chamber, which, at the conclusion of a memorial, presented to the House of Commons in April 1820, recommended, that "whatever may be the perseverance of other nations in this system, the British Government should begin a more liberal and more commercial policy, without regard to reciprocity of benefit between us and any particular nation, because, by encouraging an increased import from one nation, we are certain of gaining an increased export directly to that nation, or indirectly to some other nation."

When traffic has thus been established, and exports exchanged for imports; when A has exchanged with B through the medium of C, or, it may be, a still more roundabout way, there may remain balances to adjust between them, which, though small in comparison with the larger barter traffic, are yet of sufficient importance to require some medium by which the adjustment may be effected,—a medium which all parties agree in accepting as of a certain fixed value, and which may be fairly designated as the small change of commerce, and that is, Money. In the smaller traffic of the country, as in purchases, say, of an ounce of tea, copper constitutes the medium; and a scarcity of copper money is sometimes productive of great inconvenience, though no law has yet been passed to compel its forcible withdrawal from the traffic of our own country when a foreign nation may require the copper in larger quantities than usual. In transactions somewhat larger, the precious metals, gold and silver come into play, the latter supplying the smaller, the former the larger, change "of traffic;" and where these exist not in sufficient quantity to supply a "change" ample enough for the business of the country, other expedients have been hit upon to fill the gap, and hence the use of paper as "money." At one time, when gold and silver were scarce, paper was used for the settlement of exchanges so small as one or two shillings; but this has wisely been stopped; though, if silver had been as scanty as gold has sometimes proved to be, stern necessity would have compelled its adoption, or the country must have retrograded to the state of barbarism, and barter been the only means of traffic.

In the settlement of contra-accounts merchants have every day an illustration of what has mystified the subject greatly,—the exchanges. When one has sold more to another than that other has sold to him, and they come to balance accounts, that is done by means of the "small change of commerce;" if the difference be very small, copper may do; if larger, silver; if still larger, gold, or bank notes convertible into gold, and therefore of the same value as gold, are employed. If still larger, a bill of exchange, *i. e.*, a promise to pay on a particular day specified in the bill, may be accepted as a settlement; and so it is with foreign trade. The transactions being upon a larger scale, bills of exchange are universally employed; and as these abound or are scarce in any particular place, so they become either at a discount or premium, and the

exchange is for or against the country. All the mercantile transactions of the world centre in London as the one metropolis; and in ordinary commerce the medium for settling the balances being necessarily one which is everywhere in request, the precious metals are used, and gold flows in or out, backwards or forwards, as the case may be. This is the natural course, established as truly by the Supreme Ruler of heaven and of earth as the circulation of moisture. We have already quoted the saying,—“All the rivers run into the sea, yet the sea is not full; to the place whence the rivers came, thither they return again.” The circulation of the moisture is permanent and steady, and so would be the circulation of the silver and the gold, would men not interfere with it by attempting to be wise above what is written. Pitt, the first financier of his day, and one of the first of the sons of men, is said to have inquired of the merchants whom he had assembled together, what he could do to promote their commerce? Let us alone, was the reply,—a reply dictated by the truest wisdom and the most perfect knowledge of all the circumstances, and justified by the result of every interference with the laws of nature, say rather of Divine wisdom, from the first established monopoly to the last most outrageous violation of those laws in the Money Act of 1844.

The precious metals, from the valuable properties we have already adverted to, are better calculated than other commodities for employment as money. They are more uniform in quality and value, more portable, more workable, and more enduring; and when made into pieces of a determinate size and purity, form a most convenient medium of exchange for all nations. But that they may be so, it is necessary that there be a fixed standard by which to estimate them; and that standard is found in themselves. Some nations choose the one, some the other, as the standard of value; one only ought to be taken, as one only can have an un-deviating relation to itself. In this country gold has been chosen; silver has had its day, and may have it again: but both cannot be employed with advantage at the same time, as, though neither can alter its value in relation to itself, it may yet alter in relation to the other; and the necessity of a fixed and permanent standard is self-evident. It is as necessary to have a standard of value, as a standard of measure or of any other thing. Meanwhile we have to do with gold. The purity of standard gold has been fixed at 22 carats fine; and a Troy pound of such gold is, by the present Mint regulations, coined into 46½ sovereigns, and the twelfth part of the pound is equivalent to 3½ sovereigns, or L.3 17s. 10½d., each sovereign weighing 123½ grains. The Bank of England, indeed, exchanges its notes for bullion at the rate of L.3 17s. 9d. an ounce, but this means nothing more than that the Bank has received the gold, and undertaken to deliver it again to the holder in coined money, at the rate of L.3 17s. 10½d. an ounce; for the party himself might have taken the gold to the Mint, and had it exchanged at the same rate. The standard, then, is fixed; and so long as the purity is maintained at 22

carats fine, a free trade in the precious metal allowed, and the Mint kept open for any one who may choose to employ it, and 40 lbs. troy coined into 1869 sovereigns, 1 lb. troy will exchange for L.46 14s. 6d., and 1 ounce for L.3 17s. 10½d. An ounce of coined gold is just L.3 17s. 10½d., and, if melted, will give just the ounce: they are convertible into one another. “The sum of L.3 17s. 10½d. is not, as certain writers appear to suppose, an antiquated assize value put upon gold by Kings and Parliaments at some bygone period of our history. It simply marks a relation of quantity, which is eternal; it is another name for an ounce of gold; it is an ounce of gold; and, while the present Mint regulations are observed, be the supply from the mines what it will, must be the price of an ounce of gold, and cannot cease to be so, any more than a foot ordered to be divided in twelve equal parts can cease to be twelve inches.”*

Having, then, this rule, we are able by it to measure all other commodities, and without it there would be no certainty in our commercial transactions. But, then, it is as a measure of value, and not as the only valuable thing, that we are to regard gold. It is no less a commodity than other articles in which we trade, and, as such, is regulated by the same eternal laws. We may again quote the late Sir Robert Peel:—“Gold will not leave this country, unless gold be dearer in some other country than in this. It will not leave this country merely because it is gold, nor while there is any article of manufactures which can be exported in exchange for foreign produce with a more profitable return.” How insane, then, is the attempt made to base our whole domestic currency upon an article which in the course of trade will go,—nay, must go,—*volens nolens*, when circumstances require it, and when no article of manufacture can be exported with a “more profitable return!” and how doubly insane to persevere in the attempt when a demand has arisen for gold over and above all the demands which even adverse exchanges could produce! At present there is such a demand, and gold will be had, aye, although our own perverse attempts to retain it should issue in our own destruction. Why should it be so? Gold abounds in this country. A question was asked by a correspondent some time ago,—Why should the sale, the profitable sale, of gold be injurious to the country? The only answer that can be given is to be found in the restrictive clauses of the Money Act of 1844. These make it injurious; and, but for these, gold might be dealt with as any other metal, and a handsome profit realized upon it, so long at least as trade is free, and it can be imported with advantage. The quantity of gold existing in the world has been variously estimated. Jacob, in his most valuable work, estimated the coined money of Europe in 1809 at L.380,000,000, allowing farther for the trade of Asia L.352,000,000, and for other purposes L.352,000,000 more,—making in all of the precious metals, L.1,084,000,000. In 1829, he estimated the coined money at only L.313,388,560, the supply from the

* Australian and Californian Gold Discoveries. J. Stirling, p. 43.

mines, during the twenty years from 1800 to 1829, having been L.103,736,000 ; but allowing for the trade of Asia L.40,000,000 ; for conversion into utensils and ornaments L.112,232,220 ; and for tear and wear L.18,095,220, the amount of coin is left as above at L.313,388,560.* Others have estimated the whole at L.2,000,000,000. Since then the Australian and Californian discoveries have come into play, and have supplied gold at a rate altogether unprecedented. Westgarth estimates the yield from these countries alone, for 1853, at no less than L.40,000,000 sterling ; and accounts up to the present day more than confirm his estimate. Caldwell says of Victoria, it is generally believed " that the greater part of this colony is one vast gold field."

There is, then, abundance of gold ; and had it not been so, our present money laws would not have stood so long, for it is never to be forgotten that gold is not indigenous here. Scotland, indeed, has had its mines both of gold and silver. In the reigns of James IV. and V., much was procured from the Lead Hills, among the sand washed from the mountains ; and in the reign of Queen Elizabeth, 300 men employed near Elvansfoot, at a place still called the Gold Scour, collected in a few summers about L.100,000 worth ; while within ten miles of Edinburgh, silver mines yielded from each quintal (100 lbs.) twenty-two ounces of pure silver, and these were not the only ones. In England, too, gold has been found both in Cornwall and Devonshire, but now neither silver nor gold are obtained in Britain. The whole has been brought in the way of commerce, or imported from our own colonies, and in so far may be regarded much in the same light as if they had been found in our own land ; and by it, as well as by other articles of trade, an honest penny might be gained, were it not for our own absurd restrictions. Considering gold in the light of a commodity, we may estimate the quantity in this country at the present moment somewhere about 450 to 500 tons weight. While such a demand prevails, something handsome might have been made, instead of fighting with other nations with a degree of desperation which, to compare great things with small, somewhat resembles the scene enacted between two hungry dogs when they have met with a bone which each is desirous of appropriating to itself. The gold becomes in very truth the " bone " of contention, and desperate are the efforts made to obtain it. Were it not so painfully injurious to the nation one could almost smile, nay, laugh outright, at the extreme anxiety with which the arrival of a few tons of this yellow metal is watched for by the whole nation, and at the blank looks which the detention of a few weeks by contrary winds occasions. The owners of so vast a mass of gold as this country possesses, brought to despair, almost to ruin, by the non-arrival of two or three additional tons ! Verily there must be some want of management here,—a want of some presiding genius,—of the right man in the right place ;—a want like that which caused the loss of so

* Jacob. Vol. ii. p. 284 and 322.

many gallant men in the Crimea,—which reduced the poor horses to such straits as to eat each other's tails, hay in abundance all the while floating in the harbour of Balaklava ; or, if there be no want of management, there must be some unyielding power which locks up the gold, and paralyzes even the Government itself ; and this we find in what Lord Ashburton well called the "rigid Parliamentary machine—the Money Act of 1844."

(From "The Witness" of January 23, 1856.)

THE drain of gold continues. The last week's return shows a decrease of L.370,290 during the last fortnight, thus reducing the stock of bullion in the Issue Department to L.9,799,305, being the lowest amount at which it has stood since 1847. During that disastrous year it fell from L.15,083,000 on the 2d January to L.8,478,000 on the 6th November ; but the Act of 1844 having been suspended on the 25th October, the gold returned so rapidly that on the 4th December it had risen to L.10,210,000, and on the 1st January to L.12,014,000!! The Act was fast emptying the coffers of the Bank, when its suspension first stayed the process, and then refilled them with amazing rapidity. The cause having been removed, the effect ceased ; were it suspended now, relief to commerce would immediately be afforded, though the gold would not return so rapidly, because the demand for the precious metals abroad is very great. This country, indeed, has at the present time quite enough on hand to enable it out of its own resources, and without the importation of a single ounce from any quarter whatever, to supply the demand, and so to realize a handsome profit, and that, too, without interfering with its own *internal commerce* in the slightest degree, but the obstinacy with which the authorities cling to the existing law renders all our wealth of no avail. We said that from 450 to 500 tons of this much-loved yellow metal were in the country.

"There is, then, between fifty and sixty millions of gold at this moment," says Mr J. G. Kinneer, in a valuable pamphlet published in 1847, "circulating in England, of which probably six-sevenths are sovereigns. We have therefore above fifty millions of capital (350 tons of gold) altogether unproductive, unavailable for the purchase of raw materials, the employment of our population, or any other purpose to which capital may be applied. While we economize the capital of the country by the use of notes of L.5 and upwards, and on *principles which all admit to be essentially sound*, on what ground must we refrain from extending this system, and economizing the capital of the country to the extent of thirty or forty millions more on the same principle ?"

So large an amount of gold employed in the circulation alone, shows that there is more than sufficient to free the country from all its embarrassments, and to enable it to bear up under the demands of a war great and terrible, yet just and necessary, and which, we fear, is only at its

commencement, were these resources employed with skill and judgment, such as we believe Lord Palmerston, Lord Panmure, and some others of his colleagues to be possessed of. But no; everything is left to adjust itself as it best can. The "rigid Parliamentary machine,"—the Money Act of 1844,—still sways the destinies of the State, and, like a railway train, moves forward, totally unconscious of the obstacles, it may be of its own creation, which may speedily arrest its progress, stop it altogether, or turn it upside down.

The view which we have endeavoured to present of the injurious operation of the Money Act is not new, at least to us; for we were of those who thought that no other result could follow its adoption, especially the enactment of that provision which required that for every pound of gold exported from this country a pound should be withdrawn from the means required for the carrying on of its ordinary business; and in the columns of the *Witness*, in the month of June 1844, while the Act was pending in Parliament, we endeavoured, though in vain, to arouse the attention of the country to the dangerous nature of its provisions, and may advert to some of the remarks we then made.

Having quoted the clause regulating the issue of bank notes, it was remarked that it was given that there might not be "the possibility of misconception, and that the public might see at a glance on any occasion, that when a bad harvest or a profligate Minister has scattered the gold, the one to buy food, the other to subsidize some foreign States, it may be in attempting to destroy the liberties of the country, the circulation is then to be withdrawn, thus destroying at once the stock in trade and the means of reproducing it. The Act which declared a piece of paper equal to a pound, had at least the merit of providing for the carrying on the business, and keeping it alive in the midst of the degradation and ruin of other States. This proposed Act, in similar circumstances, would lay the country prostrate at the foot of the foe." Again, in speaking of the panic of 1825, it was said,—“More recently the Bank was also very nearly drained of its gold. A bad harvest had lowered the duties on grain, and nearly all the gold in the country was sent out of it in exchange for wheat, and it was well. ‘Skin for skin, all that a man hath will he give for his life.’ But had this proposed Act been in operation then, and the issues contracted to the same extent as the bullion was exported, the ruin that would have followed would have been so wide, so universal, so overwhelming, that no gold would have returned to the coffers of the Bank, and the prosperity of the country would have been for ever sealed.”

Such were some of the anticipations with which we regarded the Act before it was passed. In 1847 the latter was nearly realized. Shall 1856 witness anything approaching to the former?

In support of our opinion of the Act and its working, we may shortly refer to other parties who can speak with authority. Mr James A. Anderson (late Manager of the Union Bank), a man well acquainted with the Act and its practical workings, in a recent pamphlet, which we

would strongly recommend to the perusal of every one desirous of obtaining, in short compass, a just view of this Act, and whose opinion is all the more valuable, that “he admits having been an admirer of ‘the currency principle’ on its first promulgation;” yet now, after ten years’ experience, says,*—“From the very time the Act came into operation, the circulation, notwithstanding the self-regulating principle of the Issue Department, exhibited a perverse non-conformity to the gold in the Bank. These small deviations merely caused a smile at the inefficiency of the great measure, but a fearful confirmation followed. It utterly failed to check the frenzy of 1845-46, or to avert the calamities of 1847. Sir Robert Peel, in freely admitting his failure, endeavoured to console himself with the belief that it had at least ‘secured the convertibility of the currency.’ With all deference, however, it seems to be unquestionable that it was *not the law*, but its *abandonment*, which had that saving effect; and that had it been persevered in, a few days, perhaps hours, would have exhibited the melancholy absurdity of the insolvency of the Bank of England with eight millions of gold in its coffers.”

Mr Kinnear, in the pamphlet already mentioned, points out the fact, that though the object of the bill was to “make the amount of the notes in circulation vary in accordance with the exports and imports of gold, strange to say, however, the amount of Bank of England notes in circulation was rather less in April than in September, though the advances by discount of bills had been increased by more than six millions! Still more strange, six millions of gold had been exported without any contraction of the currency. The Bank was then placed in a position when a continuance of the drain must have resulted either in a *suspension of the bill*, or a *suspension of payment by the Bank*.” He then shows that the reserve of gold was practically “no reserve for any useful purpose. The remedy, therefore, was to contract the advances to the public, and to refuse all bills that appeared likely to be used as instruments for drawing out gold for exportation. The screw was put on with a force and suddenness quite unprecedented, I believe, and the consequences were of the most embarrassing kind.” But we need not further detail the embarrassments of 1847. These have become matter of history. But to make it more evident that these were occasioned by the operation of the Money Act of 1844, we may next refer to the testimony of Lord Ashburton. His Lordship, adverting to the various schemes which had been propounded for regulating the action of Banks, says,—“The last notable settlement of this endless controversy was by the Bank Charter Bill of 1844, and the great leaders on both sides of the House of Commons are resolved to defend it in spite of the unfortunate fact that, on the first occurrence of what is called a crisis, the failure is apparent in the evidence of a state of embarrassment and difficulty never exceeded.

* Review of the Currency Laws and Bank of England Charter. 1855. W. Blackwood & Sons, Edinburgh.

Mere speculative reasoners defend their theories with sufficient obstinacy, but men who are, who have been, or who expect to be, Ministers of State, cannot so easily afford to be in the wrong, or to confess themselves to be not infallible. It is therefore stoutly maintained in the House of Commons by the leaders of both parties and their numerous partisans, that, look about you as you may for the cause of our difficulties, the last Charter of the Bank, with its whimsical restrictions and provisions, was an act of absolute wisdom, and if it be hinted that it has failed upon the first experiment, the answer is ready,—which, during nearly half a century that I have now watched these questions, has invariably been given by every successive Minister,—that the stupid Bank Directors, those scape-goats so conveniently at hand, have spoilt the wisdom of the Legislature." The conduct of Sir Robert Peel, Lord John Russell, and the other members of the Government, fully bears out all that his Lordship has here stated. They were on their trial before the Committee on Commercial Distress; but themselves and partisans formed the majority of the Jury which acquitted them; and, however decisive the evidence brought before the Committee as to the injurious working of the Act was, we need not wonder that the Report ignored it all, and pronounced in favour of the Act. "Those who are, who have been, or expect to be, Ministers of State, cannot afford to confess themselves in the wrong;" and, therefore, the country must continue to groan under a burden which these men will not touch with one of their fingers, and by which perhaps their interests may be greatly promoted. It was but the other day, on the occasion of Mr Leone Levi's lecture on the Bank Charter, that we heard this Act lauded in terms quite as strong as those referred to by Lord Ashburton. We were surprised at it, after all that has passed; but we were far more surprised that the two able advocates of the bill admitted,—the one that it had a weak side in substituting gold for bank notes; the other that it had a weak foundation, inasmuch as it was made to rest on gold alone, while other articles might have been employed with equal advantage. These two points conceded, little would remain between us, and we may therefore hope for their support in obtaining a satisfactory adjustment of the question.

The promoters, however, of the measure, continues Lord Ashburton, cannot throw the responsibility of the failure of the Act on the Bank Directors, for "they maintained that such was its perfect machinery, that it defied all mismanagement or neglect;" while he, on the contrary, appeared before the public to maintain that "the expectations entertained of this infallible panacea were unfounded,—that it would only work in fair weather, when restrictions of all sorts are inoperative and immaterial,—that it could not fail to break down under the first difficulty,—and that it is, in fact, a serious aggravation, if not indeed the actual cause, of the distress we now experience." Most thoroughly does he make his propositions good in the course of his able treatise, but our limits will not admit of extracts. We may, however, mention one

singular circumstance in relation to the drain of gold, and consequent panic of 1825. His Lordship, along with Lord Liverpool, Mr Huskisson, and the Governor of the Bank, had a conference at a time when the Bank was in great jeopardy. "The gold of the Bank was drained to within a very few thousands; for although the public returns showed a result rather less scandalous, a *certain Saturday night* closed with nothing worth mentioning remaining." "In this state of things the remedy for the difficulty was obvious, and unanimously agreed to by us. Although the Bank had no specie left, a large additional issue of notes was made, and about 1,500,000 of those of one pound, which were *accidentally* found to be in existence, were circulated. The relief was immediate. The country received a circulating currency in which everybody had entire confidence, and the *useless gold* was returned to the Bank." How remarkable the likeness in all respects to the circumstances of 1847! A *certain Saturday night*, 23d October, closed with nothing worth mentioning remaining. True, there were nearly eight millions of gold in the cellars of the Bank, but no one could touch them; they were, indeed, *useless gold*, like the firewood at Balaklava received for warming the men, who must otherwise perish from cold, but which was too strictly guarded to admit of a single piece being given out to relieve the soldier—the men might die, but the firewood was safe,—so the gold, for any practical purpose, might as well have been in its native mine: the Bank might suspend payment, but the gold was safe; the Act 1844 stood sentinel over it, and prevented its employment in relieving the country. A *certain Monday*, too, came, and the celebrated letter, authorizing the Bank to issue bank notes, limited only by an interest of 8 per cent., appeared, and, as in 1825, "the relief was immediate." The country could now procure "a circulating currency in which everybody had entire confidence," and anxiety and terror were at an end. We might quote other writers whose authority cannot be questioned in support of our views, but forbear. The authority of Lord Overstone, on the one side, has been held as sufficient to put an end to all reasoning on the subject. It is safe to take refuge under a great authority: we prefer, however, the exercise of private judgment; and, taking Lord Overstone's sayings for what they are worth, hold them light as air in opposition to the mass of evidence which has been accumulated, testifying to the entire failure of the Money Act of 1844 for any one of the purposes which it professed to accomplish. But, were we to rest on authority, we would oppose to that of Lord Overstone that of Lord Ashburton, who, speaking of the Bank Directors, says,—"With £10,000,000 in their coffers, the Bank Directors are as safe as any Bank Directors ever were; but it must be admitted that the great bugbear, the Act of 1844, is enough to frighten even less timid men; and from this the Legislature, *if it be wise*, WILL HASTEN TO RELIEVE THEM."

(From "The Witness" of January 31, 1856.)

IN the *Times* of the 24th instant, "Mercator" makes "one more effort" to enlighten the public as to the nature of the Act 1844. One would have thought this altogether unnecessary. The many speeches which have been delivered in its illustration by the late Right Honourable Baronet and others, told all that could be told; and what they failed to explain, the calamities of 1847 made clear enough. But "Mercator" is universally understood to be the *nom de guerre*, the incognito, of Mr Jones Loyd, now Lord Overstone; and his Lordship having been in truth the author of the bill, his anxiety about its fate is at least pardonable. His much-loved child has proved a very mischievous member of society; and now that but one opinion prevails that its life has been long enough for the country, he who stands in the relation of father and mother to it views it with affection still, and would fain save it from the fate that awaits it. Doubtless Fauntleroy's mother, had she been alive, would fain have saved him from the gallows; and no one would have blamed her, most would have pitied and sympathized with her, though they would have neither pity nor sympathy on her offspring. But to the letter. We agree entirely with "Mercator" that "the subject is not in itself intricate or obscure. The public will find it to be simple and easily intelligible, if they will only believe it to be so." This we have always maintained; but most people merely shake their heads, and say, "It is a mystery too deep for me." It is not so; and we are glad to have the high authority of "Mercator" to appeal to for the fact.

"Mercator" says, that the "purpose of the Act was to secure effectually the maintenance of cash payments by rendering the absolute exhaustion of the bullion impossible,"—that it "had direct reference only to the monetary system,"—and that "by its effects in this respect the success or failure of the Act must be tested."

Admitting the explanation, we at once accept the test, and, judging the Act by its effects, pronounce it an entire failure. It has not rendered our monetary system safe,—not one whit safer than it was before,—not one whit safer than it was in 1825, when the Bank was nearly emptied of its gold. This has been shown again and again at length. But we need only instance October 1847, and ask, was it any safer on the 23d of that month than in December 1825, when the Bank closed on a certain Saturday with nothing to be named in its coffers, and when it must soon have closed altogether, but for an issue of 1,500,000 of one-pound notes found by accident in its cellars? We say at once, No. On the Saturday, 23d October 1847, it closed under a pressure as heavy, and with feelings of alarm quite as great, as in 1825, and Monday brought with it a similar relief in the celebrated letter of the 25th, authorizing an issue of bank notes. In both cases the issue of paper money saved

the Bank, and through the Bank the country. But, it may be said, there was more gold in the Bank in 1847 than in 1825. True, and what difference did that make? None whatever in regard to our monetary system, for it was not available. Gold was in the coffers, but could not be touched. The Bank could not dispense with the small amount of bank notes to which its Banking Department was then reduced,—the means "with which to work their business"—(we thank "Mercator" for the word). On all the bullion it possessed, notes had already been obtained to the full from the Issue Department, yet the whole formed an amount so small that "the business could not be worked" to advantage; and the screw, in the shape of interest of 9 and 9½ per cent., was employed with fearful effect upon the country. Unless, however, the Bank had parted with that small amount of notes to the Issue Department, it could not have commanded a single pound of the gold accumulated there. The Bank was reduced, in point of fact, to the position of having available only about one and a half million worth of bank notes or of gold, and of that nearly the half was in the branches. The Bank had its choice: it might retain the notes; but in that case it could not get an ounce of gold; or it might have returned the notes to the Issue Department, and got back gold, only, however, to the same value as it had of notes. The rest, for the "safety of our monetary system," might as well have been at the bottom of the Red Sea. The gold was thus effectually locked up for any practical purpose; but was it safe even there? We again say, No. The amount of gold on the 23d October was L.8,313,000, and the amount of private deposits was L.8,581,000. Had the private depositors drawn out their deposits, where would the gold have been? Had the Bank tried to "realize their securities," where would they have found purchasers? Had they "contracted their credit and their discounts," where would the business of the country have been? The Bank had already done its utmost in this way. Interest at 9 and 9½ most would think high enough,—how high would "Mercator" have had it?—and, yet, he says, this is the means which bankers must be compelled to resort to when there is a "deficiency of bank notes to work their business:" and truly there is no other, save a meeting of creditors; and supposing such a meeting called, where would the gold go to then? Would it be employed to discharge the notes issued by the Bank? No. It would just form a portion of the assets, and, along with the other assets, go to discharge the debts of the company. But we need not enlarge farther on this point. It must be evident, we think, to every unprejudiced mind, that the Act 1844 failed in 1847, and that even now it has only succeeded in creating an unnecessary and injurious pressure on the commerce of the country, but not in retaining the gold. The gold, on 29th June last, stood at L.17,305,070. Last week's return showed that it had fallen to L.9,808,870; and the fall would have been much greater had it not been for opportune arrivals, as by the Champion at Liverpool from Port Philip, to the value of L.496,000, and others of

smaller amount. The private deposits by the same return amount to L.13,512,243. Verily, more is owing to the forbearance of the depositors than to the Act that there is any gold in the Bank at all. And what is that forbearance owing to? Solely to the confidence every man has in the solvency of the Bank,—a confidence of which it is every way worthy, and which is no way increased by the useless gold locked up in its coffers, but which it enjoyed to the full as much in 1825 and 1847 as it does now.

"Mercator" then discusses the question of increasing the amount of bank notes, and tells us that, should "we issue more bank notes—say L.4,000,000,—bullion will at once begin to leave the country." This we altogether deny. Bullion is leaving the country whether we will or not, and must continue to leave the country so long as the present demand for it lasts. The causes for its leaving the country are altogether different from what they were in 1847. And while these last, the gold must leave the country whether a further issue of notes takes place or not. The export of gold from this country will of course depend much on the arrivals from Australia. Should abundance arrive, then perhaps, even though the demands continue, the drain may lessen, or perhaps cease altogether. Should peace be made, so great a change may take place, that gold may once more accumulate. But we again deny that any issue of bank notes will necessarily cause it to disappear; and may instance the fact that, both in 1825 and 1847, the issue of bank notes, instead of taking away the gold, actually brought it back. In the former, Lord Ashburton says, "The notes by this proceeding were increased from L.19,748,000 in December 1825, to L.24,479,000 in March 1826; and, having served to relieve the pressure, they gradually subsided before the end of that year to their ordinary amount again of L.19,951,000, while the *bullion* in the Bank was successively *increased* by this increase of paper, in opposition to the theory of 1844, which presumes from such a cause a necessary diminution;" and in the latter we have merely to refer to the Bank returns of the day. On the 23d of October 1847, the bullion had fallen to L.8,313,000. On the 25th the Bank was authorized to issue notes, and immediately the gold began to return, and so rapidly, that on the 1st January it had risen to L.12,014,000. Again, we may refer to the fact that when bank notes were larger in amount there was no such export of gold. The two things have no necessary connection. In March last the issue of notes was about L.4,000,000 greater than at present, and gold continued to increase until the 29th June, when notes having been issued for it, were about L.7,000,000 more than now. On 6th July the whole issue of notes was L.31,305,070; at present it is only L.24,283,870. At the former period the possession of upwards of L.11,000,000 in notes did not cause the gold to disappear more than the possession of only L.4,913,200 retains it now. Had not other causes come into operation, the mere fact of the possession of notes would never have caused the gold to disappear.

A reference to past years would show the same result; and to the Bank returns of these years we would refer, in further proof of the fact, that the mere possession of a large reserve does not necessarily cause the gold to disappear. Notes are merely,—we adopt "Mercator's" words,—the means supplied to bankers "with which to work their business;" and we would say that these means should at all times be supplied so as to enable the Bank to conduct its business safely and advantageously for itself and the public, otherwise there may be ruinous sacrifices on the one hand, or ruinous pressure on the other.

But "Mercator" adds, that "the circulation is rather in excess than otherwise," and that "the bullion will continue to leave the country" until the equilibrium between the amount of our circulation and that of other countries is established." Is, then, the circulation in this country in excess? Instead of reasoning the question, let us look at the Bank returns; and first, from the Issue Department. As has been already said, on the 6th July last L.31,305,070 notes had been issued; on Saturday last the amount had fallen to L.24,283,870. A strange mode of getting an excess! At the former period, no symptom of excess was visible; but now we have "Mercator's" assertion for it that the circulation is in excess, though seven millions less than then. What are the symptoms of an excess? Bank notes being the means by which bankers "work their business," if these are in sufficient quantity, discounts will be easy, interest rather low than otherwise, and the stringency used very moderate. Bankers, like other parties having capital seeking employment, and means by which they can "work their business" at command, will use those means to find employment for their capital, and, according to the judicious way in which they use them, so will be the prosperity both of their own concerns and of the country. If in excess, all restraint on the use of money may be expected to be withdrawn, interest to become very low, and speculations may abound. But if, on the other hand, the means of "working their business" be scanty, their hands will be tied up, in the words of "Mercator." "As the total amount of notes has been diminished in proportion to the drain of bullion, the reserve of each banker, *already restricted* by this process, will bear no *further pressure*. . . . They will necessarily proceed to realize their securities, and to contract their credits and discounts. It is idle to deny the possibility of this." It would be idle also to deny that the circulation is restricted now, and is not in excess. The process mentioned by "Mercator" has not only begun, but is far advanced, discounts and credits have been contracted, and are now dearly paid for. Let us look next at the amount of real circulation: for though upwards of L.31,000,000 of notes were given out from the Issue Department, not more than L.20,165,545 were in the hands of the public; the rest were lying in the till of the Banking Department, affording ample means for "working the trade" of the Bank. On Saturday last the amount in the hands of the public was only L.19,370,670, or nearly a million less,

while the means for "working the trade" of the Bank were reduced to L.4,913,208. The symptoms of restriction have become too painfully evident, and all this notwithstanding the issue of L.475,000 of notes on securities, which, though it has not in any way accelerated the efflux of bullion, has been much too small for enabling the Bank to "work its business," either with comfort to itself, or advantage to the public. But we have trespassed too long; and, while we think we have sufficiently shown the erroneous nature of "Mercator's" remarks, would conclude with saying, that in seasons of difficulty the judgment of experienced and skilful Directors is much more to be trusted than a "rigid Parliamentary machine," and that, in the words of Lord Ashburton, "from this the Legislature, if it be wise, will hasten to relieve them."

(From "The Witness" of February 16, 1856.)

PARLIAMENT has now assembled, and Government has intimated that at present there is no intention of taking any steps regarding the Act of 1844, rather, as it would appear, from a feeling that that Act could not at present obtain a fair hearing, than from any special love for it. Yet its repeal should be sought by all constitutional means; the more so as Government has also intimated, that they will not resist an inquiry should it be desired. The Chamber of Commerce of Glasgow has led the way; and its example should be followed without delay by every well-wisher of the country. Meanwhile we would offer a few last words on the subject.

The Act, then, of 1844 was passed with the avowed design of putting an end for ever to reckless speculations and commercial panics, and to ensure steadiness in all our monetary transactions. The oft-quoted words of Sir Robert Peel, when introducing that unfortunate Act, may once more be referred to:—"I rejoice, on public grounds, in the hope that the wisdom of Parliament will at length devise measures which shall inspire just confidence in the medium of exchange, shall put a *check on improvident speculation*, and shall *ensure*—so far as legislation can ensure—the *just reward of industry* and the *legitimate profit* of commercial enterprise, conducted with integrity, and controlled by provident calculation." Such were the anticipations the Right Honourable Baronet held out to the country on the introduction of his bill. True, many who had looked beyond the surface well knew that no such results would or could follow from such a measure; and to none was this more evident than to one whose wisdom it would have been well for him and the country that he had shared,—one to whom he, above all others, ought to have deferred,—the founder of his house, his own father, who warned him that he might double his own fortune, but would ruin the country; but the bill was converted into an act: and the warning of the experienced and sagacious counsellor has received too full a confirmation to

leave any doubt of the justness of his views, or the soundness of his practical deductions.

We have at some length shown that the Act of 1844 has signally failed, and we may now shortly recapitulate. Sir Robert promised an exemption from "improvident speculation." But never was improvident speculation carried so far as in the very first and second years after it was passed, Sir Robert himself aiding and abetting the same. The Act was to "ensure the just rewards of industry," but in the third year of its existence, the memorable 1847, industry itself was nearly suppressed, and its just rewards entirely extinguished. The Committee of the Lords having detailed some of the evidence given before it, say,—"*Such is the description of the commercial world in 1847, given by well-informed witnesses; and the Committee consider that a more alarming picture of the consequences of panic and discredit could not well be given.*" But, again, the Act was to ensure steadiness in commercial dealings, especially in banking transactions. Strange, however, to say, the unsteadiness of these has been most remarkable, and the fluctuation in the rate of discounts since the passing of the Act has been unexampled. For about a century and a-half, the Bank of England discounted at a rate nearly fixed and uniform. Prior to 1844, the rate was never above 5 nor below 4 per cent., save in 1839, when it rose to 6 per cent. for a few months; but since the passing of the Act, every one knows how great the fluctuations have been. These have ranged from 2 to 9½ per cent. At present the whole country feels the heavy load with which a high rate of interest presses upon its industry; and all may see how utterly the Act has failed in "ensuring its just reward." Could the Right Honourable Baronet have foreseen this, his speech would have been differently framed, and the mockery of the promise would have been spared.

But, again, the Act was at least to have secured the convertibility of the bank note, and Sir Robert affirmed that it had; but here, too, the failure was complete: for immediately before the celebrated letter of the 25th October 1847, all the gold at the command of the Banking Department of the Bank in London was reduced to L.209,844, while the silver amounted only to L.104,045, and the reserve of notes—their only means of obtaining more—was reduced to L.981,615.

"The total deposits on the 30th October were L.14,500,000, the deposits of the London bankers being more than L.2,000,000 at the same time." Had these gentlemen then called up their deposits, which a regard to their own interest would soon have compelled them to do, the Bank must have stopped, and where would have been the convertibility of the note? True, there were L.8,500,000 of gold in the Issue Department, but it could not be touched by the Banking Department. That must have stopped, and then the *whole* liabilities must have been met. Upwards of L.20,500,000 of notes were in the hands of the public, and these, together with the L.14,500,000 of deposits, forming about L.35,000,000 of just claims falling at once on the L.8,500,000 of gold, would have effec-

tually exhausted them, and the Government debt to boot. We say nothing of the stock held by the Bank, or the merchants' bills in their hands; for had this bankruptcy been permitted to take place, these would have been of no avail; for where would have been the purchasers of the one or the payers of the others? The Government, however, interfered, issued the letter of the 25th October, in effect suspending the Act; and the immediate consequence was, the restoration of confidence. The letter acted like a charm, and all was peace. It was not the Act that secured the convertibility of the note, but its suspension. Confidence was all that was required. The resources of the Bank were amply sufficient for discharging every obligation it had come under, even in the event of its winding up its affairs, provided only these were disposed of quietly and at leisure, as in ordinary cases; but in 1847 there was no time for that. Had the suspension taken place then, and under the circumstances in which the Bank was placed, ruin of a description and to an extent which the country had never witnessed, must have ensued.

We will notice only one thing more. The Act could not accommodate itself to circumstances. The "rigid Parliamentary machine" knew no difference between a drain of gold from an adverse exchange, and a drain from other causes; and hence, in 1847, although the foreign exchanges had turned *in favour* of the country so early as the end of April, and continued decidedly so throughout the season, both with America and Europe, and "gold was flowing in steadily," the machine knew no difference. It never relaxed its grasp, but still continued its crushing influence, although the drain was from an internal demand occasioned by the contraction of the circulation the Act itself had caused. Even Mr Jones Loyd, now Lord Overstone, himself admitted, in answer to a question, that "there is no necessity for a contraction of the circulation whilst gold is coming in." Well, gold was coming in, yet the contraction continued, panic ensued, and the gold was drawn out for the purpose of hoarding faster than it came in. Now, as all these things happened within a few years after the passing of the Act, it may at least be maintained that it has failed to do the good that its author promised, and has also as signally failed to prevent the evils he deplored. We go farther, and maintain that it was, if not the sole cause of all the disasters, at least a very great aggravation,—an aggravation to such an extent, that but for its operation no such disasters would have occurred. We say, then, repeal the Act; aye, both the Acts 1844 and 1855,—the latter relating to Scotch banks, not only on account of what these Acts have done, but what they are doing now, in causing, or, if not causing, greatly aggravating, the monetary difficulties of the present time.

What, then, says a timid man, would you put in their place? We have already intimated what we regard as needful in the case of banks, and repeat it in the words of the Chamber of Commerce,—“Free competition in banking, a numerous proprietary, unlimited responsibility, and a paper currency convertible into gold or silver on demand.” Were these

conditions observed, we would grant to any bank so formed the power of issuing notes. A large paid-up capital—say not less than L.500,000—insures an ample amount of available funds. A large proprietary, every one being responsible to the whole amount of his fortune, affords a guarantee for payment in full of greatly more than can ever be issued in the shape of notes. The immediate convertibility of every note into gold or silver on demand, at the pleasure of the holder, secures the value of the note as equal to the gold or silver into which it is convertible. An over-issue of such notes is as impossible as an over-issue of the metals themselves. Retaining this convertibility, the bank will as carefully shun the issue of more notes than are required in the business of the country, as they would shun giving out the gold itself. Each bank will, indeed, strive to get as much as possible of its own paper into circulation; but as it can only do so by displacing the paper of other banks, it will be equally watchful against an over-issue. For, to complete the arrangement, frequent meetings for exchanging the notes must be held between the banks, and at these the whole amount is sure of being returned upon each bank, and, if in excess, an immediate demand made for a settlement in cash. Such, at least, is the practice in Scotland; and thus, to quote again the words of the Chamber, a “system has by long experience been matured, better suited to the wants and trade of the country, safer in itself, more economical and convenient, more implicitly relied upon by an entire people, than any system ever devised by any State for the service of its subjects,”—a system, we may add, which was as near perfection as anything of the kind can be before Sir Robert Peel interfered with it; and, were the Act of 1845 repealed, all that Scotland as a separate country needs would be effected; the two great evils of *monopoly*, which presses injuriously upon the public by limiting the number of banks, and of *keeping an unnecessary quantity of gold*, which presses upon the banks, and through them on the country, would be removed; and nothing would require to be put in place of the repealed statute, save perhaps a provision for publishing annually a list of partners. But the connection of Scotland with England is too intimate to admit of this being enough. The Act of 1844 presses, though not so directly, yet with sufficient severity, to render it as necessary for the one country as for the other, to be relieved from its burden, and its repeal would be as useful to the one as to the other.

One point more may be briefly noticed. To insure the immediate convertibility of the note into gold or silver on demand, will require that a quantity of the precious metals, in the shape of coin, shall be always kept on hand to meet promptly, and at once, all such demands. How much must be kept for this purpose, and how is it to be effected? To this we would reply, that it is safer to leave the amount to be judged of by the Directors of each bank, than to make any general enactment regarding it either in reference to the home or foreign trade. In the former, gold will be demanded very much in accordance with the habits

of the people, and their need of it for the purposes of travel, and the like. In England the people are much more habituated to gold in their ordinary transactions than in Scotland; but even there it is only in their intercourse with one another that it is employed. When they have occasion to remit to any distance, either in England or Scotland, they uniformly employ seven-day bills, letters of credit, Post-Office orders, &c. The transmission of gold would be both expensive and dangerous, and therefore it is rarely if ever done. A friend of ours on one occasion took a considerable amount in gold with him (he could not get Bank of England paper) to save the commission charged for remitting; but the fear of losing it by the way, not to speak of ticket-of-leave men,—those highly-favoured members of society,—made him resolve he never would do so again. Thus, in some degree, the demand for gold is limited even in England, though the amount in circulation is very great, and the taste for it general, so that banks in England would require to keep a full supply. What, then, does the Bank of England keep in its Banking Department for daily use? Since its separation into two departments it has lodged all the gold that it can spare in the Issue Department, and taken out notes for it; and hence these vary by millions as the Bank may be receiving or exporting gold, but the gold and silver coin retained in the Banking Department varies to a much smaller extent. Thus the returns show that from September 1844 to September 1847 the highest amount was, in May 1847, L.902,453; the lowest, in October 1846, L.401,403. During October and November 1847, the highest was L.576,788: the lowest, L.303,021. In December the amount rose again to L.666,514, the highest, and L.627,451, the lowest; and during the last few months the amount has been kept somewhat steady, seldom being much below, and as seldom much above, L.600,000. Last week it was L.648,256. A sum, then, varying from L.600,000 to L.800,000 will appear to be amply sufficient for the purpose, even in the Bank of England. In October 1847, when every pound of gold that it could spare was converted into notes, L.300,000 was still retained for the needful supply of daily demands; and so soon as the gold returned in abundance, this was raised at once to L.600,000 for an average circulation of about L.20,000,000. In Scotland, where gold has not yet become habituated to the taste of the people, and where it is never required for transmission abroad, a much smaller proportion is likely to be demanded; and hence, with a circulation of about L.4,000,000, little more perhaps than L.100,000 of gold and silver coin would suffice for all the demands that ever would be made. The precise amount to be retained, however, may with great safety be left to the judgment of the Directors of the banks, whose general management has tended greatly to secure that perfect confidence so universally felt in the stability of the banks of Scotland.

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